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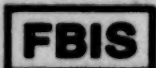
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5 July 1985

## **Southeast Asia Report**



**FOREIGN BROADCAST INFORMATION SERVICE**

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5 July 1985

## SOUTHEAST ASIA REPORT

## CONTENTS

## AUSTRALIA

Editorial Notes U.S. Has Learned Lesson of Vietnam (THE AUSTRALIAN, 30 Apr 85).....	1
Prime Minister To Visit China in June 1986 (Melbourne Overseas Service, 13 Jun 85).....	3
Article on Alleged Communist Links of ALP Socialist Forum (Tim Colebatch; THE AGE, 27 Apr 85).....	4
Columnist Discusses 'Marxist' Infiltration of ALP (B. A. Santamaria; THE AUSTRALIAN, 7 May 85).....	6
Economist Analyzes 'Adverse' Cost of Government Growth (Paul Lynch; THE AUSTRALIAN, 27-28 Apr 85).....	8
\$86 Million Trade Deficit Posted in May (AFP, 13 Jun 85).....	11
Details of Treasurer's Tax Plan Reported (Ross Gittins; MORNING HERALD, 8 May 85).....	12
Briefs Pacific Aid Projects	15

## BURMA

Rangoon Notes More Insurgents Surrender 22-31 May (Rangoon Domestic Service, 15 Jun 85).....	16
Briefs Karen Attack on Railroad Reported	17

## FIJI

Sugar Cane Harvest Delayed by Smallholders (BUSINESS TIMES, 20 May 85).....	18
--	----

## INDONESIA

Bank of Indonesia Governor on Monetary Situation (BUSINESS NEWS, 29 May 85).....	19
Trade Figures With Australia (BUSINESS NEWS, 22 May 85).....	21
East Timor's Progress in Education Called Remarkable (ANTARA NEWS BULLETIN, 29 May 85).....	23
S. Sulawesi Receives 5,150 Transmigrant Families (ANTARA NEWS BULLETIN, 28 May 85).....	24
Cooperation Agreement With Netherlands News Agency Signed (ANTARA NEWS BULLETIN, 24 May 85).....	25
Promotion of Cooperation With India Held Possible (BUSINESS NEWS, 8 May 85).....	26
BUSINESS NEWS Comments on Huge Rice Stock (Editorial; BUSINESS NEWS, 1 May 85).....	28
Investment, Capacity of Shipbuilding Industry Described (BUSINESS NEWS, 15 May 85).....	30
FRG Soft Loans for Power Generation (ANTARA NEWS BULLETIN, 29 May 85).....	32
Pertamina Repays All Its Debts (ANTARA NEWS BULLETIN, 30 May 85).....	33
Subroto on Establishment of ASEAN Energy Cooperation Committee (BUSINESS NEWS, 8 May 85).....	34
Subroto on Energy Sources, Consumption (BUSINESS NEWS, 10 May 85).....	36
French Pulp Factory To Be Built in Kalimantan (ANTARA NEWS BULLETIN, 25 May 85).....	38
Construction of Giant Paper Mill in Aceh To Start in Mid-Year (ANTARA NEWS BULLETIN, 27 May 85).....	39
Netherlands Aid for Quay Construction in Maluku (ANTARA NEWS BULLETIN, 28 May 85).....	40



Development of Ombilin Coal Mine (BUSINESS NEWS, 24 May 85).....	41
Palm Oil Exports To Be Increased (ANTARA NEWS BULLETIN, 29 May 85).....	43
Increase in Fertilizer Subsidies (BUSINESS NEWS, 22 May 85).....	44
Huge Coal Deposit Discovered in Aceh (ANTARA NEWS BULLETIN, 29 May 85).....	45
Briefs	
Isuzu Engine Plant Opened	46

#### **MALAYSIA**

Opposition DAP Support Sabah Chief Minister (THE BORNEO BULLETIN, 1 Jun 85).....	47
Italian-Built Minesweepers Ready (THE STAR, 19 May 85).....	49
World Timber Accord Ratified (Hardev Kaur; BUSINESS TIMES, 20 May 85).....	50
Malaysia's Tin Mines Face Gloomy Future (THE NATION REVIEW, 24 May 85).....	52
Bahasa Sole Official Language in Sarawak by July (James Ritchie; NEWS STRAITS TIMES, 18 May 85).....	54

#### **NEW CALEDONIA**

Separatist Movement Activities Related (J. M. Tjibaou Interview; REVOLUTION AFRICAINE, 2-8 May 85).....	55
Seven Kanaks Quit Assembly (NEW STRAITS TIMES, 10 May 85).....	60

#### **NEW ZEALAND**

Trade Minister Advises Consideration of Barter (THE EVENING POST, 1 May 85).....	61
Japan, ROK To Continue Forest Products Import (David Porter; THE DOMINION, 2 May 85).....	62
Editorial Agrees With Report on Nuclear War Effects (THE NEW ZEALAND HERALD, 1 May 85).....	64

Government Plans To Borrow From Europe (THE NEW ZEALAND HERALD, 1 May 85).....	65
Wellington, Canberra Plan CER Review (THE EVENING POST, 1 May 85).....	66
Rival Party Suspends Economic Policy, Cites Labor Congruity (THE NEW ZEALAND HERALD, 1 May 85).....	67
Trade Union Head Criticizes Government Policy (THE EVENING POST, 7 May 85).....	69
Paper: French Illustrate Irrelevance of Wellington Ship Ban (Nick Lee-Frampton; THE PRESS, 7 May 85).....	71
Editorial on Paris Conformity With Wellington on GATT (THE PRESS, 2 May 85).....	73
Increased French Military Role in Pacific Poses Problems (Editorial; THE EVENING POST, 2 May 85).....	74
Farm Lobbyist on Nuclear Policy's Threat to Trade (Hugh Nevill; THE EVENING POST, 2 May 85).....	76

#### PHILIPPINES

Batasan Evidence Links First Lady To Funds Disposal (VERITAS, 5 May 85).....	77
Balweg Brother Describes Rebel Priest (Ellen Tordesillas; ANG PAHAYAGANG MALAYA, 10 May 85).....	79
Suspected 'Salvaging' Terrorizes Antique Town (Yvonne Chua; ANG PAHAYAGANG MALAYA, 10 May 85).....	81
Columnist on Benefits of U.S. Statehood (Vic Barranco; ANG PAHAYAGANG MALAYA, 10 May 85).....	82
Assessment of 1984 '76 Day War' Against MNLF (Ben Evardone; ANG PAHAYAGANG MALAYA, 11 May 85).....	83
Three Diverse Assemblymen Propose New Constitution (Desiree Carlos; ANG PAHAYAGANG MALAYA, 12 May 85).....	84
Groups Ask End to Autonomy, Cite 'Failure' (ANG PAHAYAGANG MALAYA, 12 May 85).....	85
Rebel Activities Prompt Rural School Closures (Tony Pe. Rimando; BULLETIN TODAY, 19 May 85).....	87

Further Reportage on Cordillera Alliance Fete (Romy P. Marinas; ANG PAHAYAGANG MALAYA SUNDAY, 12 May 85)...	88
Opposition To Secret Marshals Gains Mayor, Editorial Nod (BULLETIN TODAY, 11 May 85).....	92
Manila Mayor Speaks Out	92
Proregime Daily Support, Editorial	93
Davao Marine on NPA Organization, Tactics, Discontent (BULLETIN TODAY, 11 May 85).....	95
Agencies Disagree Over Use of Japanese Grant (Benjie Guevarra; ANG PAHAYAGANG MALAYA, 17 May 85).....	97
Article Explores Causes of Labor Militancy (Gigi S. Oyog; VERITAS, 5 May 85).....	99
Paper Reports IMF 'Meddling' in BIR Operations (Erwin Tulfo; ANG PAHAYAGANG MALAYA, 18 May 85).....	101
Virata Says Lending Rates To Level Off (BULLETIN TODAY, 15 May 85).....	103
Paper Reports Continuing Rights Violations (VISAYAN HERALD, 10 May 85).....	104
Official Union Asks Ramos' Aid in Labor Disputes (Letty Suico; VISAYAN HERALD, 12 May 85).....	106
Division Proposed for Troubled Davao Barrio (Tine P. Garalde; PEOPLE'S DAILY FORUM, 10 May 85).....	107
'El Diablo' Abuses Reported in Davao Oriental (Pris Rojo; PEOPLE'S DAILY FORUM, 12 May 85).....	108
Editorial Views Deputy Defense Chief's Insurgency Facts (BULLETIN TODAY, 13 May 85).....	110
Palay Harvest Ushers Bohol Agriculture Recovery (Brenda Piquero Tuazon; BULLETIN TODAY, 16 May 85).....	111
Coconut Exports Expected To Increase (J. C. Concepcion; BULLETIN TODAY, 13 May 85).....	112
Coffee Exports Reach \$208 Million (BULLETIN TODAY, 13 May 85).....	113
Impact of Food Price Rollback Analyzed, Belied (VERITAS, 5 May 85).....	114

Oil Imports To Claim Third of \$3 Billion Trade Credit (ANG PAHAYAGANG MALAYA, 9 May 85).....	116
--	-----

#### Briefs

Marcos Dared Into Early Polls	117
Muslim Code of Ethics	117

#### THAILAND

Thai Position on Khmer Rouge Debated (THE NATION REVIEW, 25 Apr 85).....	118
Cambodia-Laos Situations Contrasted, Compared (THE NATION REVIEW, 23 Apr 85).....	123
Academic Critiques Thai Policy on Cambodia (THE NATION REVIEW, 1 May 85).....	127
MP's Question Cambodia Policy (THE NATION REVIEW, 17 May 85).....	130
ASEAN Economic Future (BANGKOK POST, 15 May 85).....	131
Columnist on Suppression of Film on Hunger (Surin Pitsuwan; BANGKOK POST, 3 Jun 85).....	133
Trade Ties to Eastern Europe To Go Through Hungary (THE NATION REVIEW, 5 Jun 85).....	135
Expanded Trade Ties With South Korea Sought (THE NATION REVIEW, 31 May 85).....	137
BOI Secretary General on Investment, Sales Strategies (BUSINESS IN THAILAND, Apr 85).....	139
New Policy on Lobbying Said To Be Likely (Andrew J. Delaney; BUSINESS TIMES, 10 May 85).....	146
Nokkaew Denies Running Chit Fund (THE NATION REVIEW, 20 Apr 85).....	148
Central Bank To Boost Countertrade System (THE NATION REVIEW, 24 Apr 85).....	150
LPG Traders Seek Pricing Changes (THE NATION REVIEW, 17 Apr 85).....	152
Thai-German Gas Masks (THE NATION REVIEW, 27 May 85).....	153



Thai Chinese Firms in Grease Venture (THE NATION REVIEW, 27 May 85).....	154
Integrated Circuit Production (THE NATION REVIEW, 11 May 85).....	156
Foreign Ministry To Launch Computer System (THE NATION REVIEW, 5 Jun 85).....	158
All-Thai Microcomputer (BANGKOK POST, 22 May 85).....	160
Cabinet on Mine Organization (BANGKOK POST, 22 May 85).....	161

#### WESTERN SAMOA

Economic Success Analyzed (Phillip Melchior; THE EVENING POST, 2 May 85).....	162
--	-----

#### VIETNAM

##### MILITARY AFFAIRS AND PUBLIC SECURITY

Army Paper Reports Vi Xuyen District Conference (QUAN DOI NHAN DAN, 15 May 85).....	164
--	-----

##### INTERNATIONAL RELATIONS, TRADE AND AID

Japan Reportedly To Resume Humanitarian Aid to Vietnam (THE NATION REVIEW, 28 May 85).....	166
SRV Message of Thanks to Honecker, Stoph (NEUES DEUTSCHLAND, 15/16 Jun 85).....	167
To Huu's Speech at Soviet Ambassador's Banquet (To Huu; NHAN DAN, 9 May 85).....	168
Vo Dong Giang Receives PLO Charge d'Affaires (VNA, 14 Jun 85).....	171
Friendship Order Conferred on Italian Supporters (VNA, 15 Jun 85).....	172
UN Envoy Speaks in Support of Namibian People (VNA, 16 Jun 85).....	173
French Youth Project Raises Funds for Hospital (VNA, 14 Jun 85).....	174

VNA on Efforts Welcoming Moscow Youth Festival (VNA, 14 Jun 35).....	175
---	-----

#### Briefs

Friendship Group Supports Lao Statement	177
Apartheid Message Sent to UN	177
Iceland's National Day Receives Salute	177
Council Decorates Soviet Experts	177
GDR's Fischer on Indochina Support	178

#### AGRICULTURE

#### Briefs

Hau Giang Rice Planting	179
Dac Lac Rice Harvest	179
Ho Chi Minh City	179

AUSTRALIA

EDITORIAL NOTES U.S. HAS LEARNED LESSON OF VIETNAM

Sydney THE AUSTRALIAN in English 30 Apr 85 p 8

[Editorial: "Lessons the US Has Learned From Vietnam"]

[Text]

TODAY is the 10th anniversary of the fall of Saigon to the armed forces of the Viet Cong-controlled Provisional Revolutionary Government of South Vietnam and their allies and mentors from the North. The communist occupation of South Vietnam's capital soon brought to an end one of the most destructive wars of this already blood-soaked century and allowed the regime in Hanoi to extend its rule over the whole of the Indo-Chinese peninsula.

The defeat of the American superpower at the hands of a hitherto obscure and militarily relatively weak nation of peasants in South-East Asia was a landmark in modern history. The horrendous nature of the war and its tragic and humiliating outcome for the world's leading democracy has cast a shadow, which is only now beginning to recede, over Western self-confidence and the preparedness of the democratic nations to defend their values.

But, as shattering as the West's experience in Vietnam has been, and, while recriminations and counter-recriminations still abound, there is evidence that we have learned some useful lessons from that experience. The long and horrible war in Vietnam does at least offer a guide as to how the democracies should behave in similar circumstances which only too frequently arise.

While the US is engaged in what could well be a life and death struggle to withstand the expansion of the Soviet empire in its own region and close to its own borders, the cry of "No more Vietnams" has become the most effective rallying-cry of those who stand for a latter-day version of traditional American isolationism. And even many of those leading Americans who advocate decisive action in Central America are at pains to explain that the policies which they support do not resemble what was done in Vietnam.

## Predictions

Nonetheless, what has happened in Indo-China over the past decade has confirmed many of the most gloomy predictions of those who sought to justify Western intervention in Vietnam. The Hanoi regime has shown anything but the openness and toleration of peaceful dissent which many of its most ardent supporters claimed on its behalf. Nor has it been content to build a society based on its interpretation of Marxism-Leninism within its own borders but has behaved as a conspicuously brutal colonialist power in its occupation and suppression of the people of its neighbours, Kampuchea and Laos.

The hundreds of thousands of "boat people" who have fled Vietnam since

the fall of Saigon are witnesses to the oppressive totalitarianism of the new regime. Hanoi's acknowledgment that thousands of others are locked away in "re-education camps" and its denials of freedom of speech and political activity are a telling repudiation of the National Liberation Front's all-but-forgotten claim that it represented the ideals of democracy.

Nor has Hanoi, now that Vietnam is reunified, followed that independent, "Titoist" approach to its international relations which some of its friends abroad had optimistically prophesied. While it is true that it has not furthered the "downward thrust of Chinese communism", of which supporters of Western military intervention, particularly those in this country, had so often warned, it has, rather more unexpectedly and far more dangerously, become one of the Soviet Union's most loyal adjuncts. Vietnam is now an extension of Soviet power and influence into southern Asia, with consequences of a global magnitude.

It might be claimed with hindsight that this outcome was more or less predictable. Why was it then that so many Americans with strong democratic commitments opposed their Government's Vietnam policy and so few of America's allies agreed to offer it their support?

Partly this was due to a lack of faith in the former Saigon government's credentials. The Republic of Vietnam had been established contrary to the Geneva agreement of 1954 which ended French rule and provided for elections throughout the whole of Vietnam, with which provision it refused to comply. Although it can be convincingly argued that Saigon's rule was benign compared with that of Hanoi, the murder of its President Ngo Dinh Diem in 1963, the rise to eminence of such politicians as the Hitler-admiring Air Vice-Marshal Ky, and its disregard of many basic civil liberties made it a regime which even dedicated anti-communists were not prepared to die for.

## Democracies

There is little doubt that even the most undemocratic authoritarian government is far less dangerous in the longer run to its own people and the rest of the world than a totalitarian State. But it is a strength, as well as a weakness, of the democracies that their people are not always ready to fight, even for pressing strategic reasons, to save a society whose standards they find unacceptable.

It is equally evident that in a global struggle it is essential that there be a clear understanding of the goals which the democracies are trying to achieve. This, sadly, was not the case in Vietnam.

However, most importantly, it is not the case with the Reagan administration's policy, nor was it the case with that of the Carter administration, towards the present convulsions in Central America. The US intervention against the murderous government in Grenada took place after gaining the concurrence of the Caribbean democracies. The American military rule lasted no longer than was needed for free elections to be held.

United States maintenance of the Duarte Government in El Salvador has been founded on an insistence that human rights be safeguarded and without interference in that Government's socialist-inclined economic policies.

In contrast with its acceptance of the Shah's misrule in Iran, the US has made it perfectly clear that it is only if they respect human freedom that such regimes as those of Chile, the Philippines and South Africa can expect America's friendship.

If the same course had been followed in Vietnam, Saigon might never have fallen to the communists. The US might have been self-defeatingly slow to learn the lesson of Vietnam, but assuredly it has now learned that lesson. For having done so it deserves the confidence and encouragement of all those nations which claim to stand for democratic values.



AUSTRALIA

PRIME MINISTER TO VISIT CHINA IN JUNE 1986

BK130913 Melbourne Overseas Service in English 0830 GMT 13 Jun 85

[Text] The prime minister, Mr Hawke, will visit China next year. The move was announced in Beijing by Australia's minister for industry, commerce, and technology, Senator Button. It will be Mr Hawke's second visit to China since becoming prime minister in March 1983.

Senator Button said that Mr Hawke would visit China in June next year. The prime minister had accepted an invitation from the general secretary of the Chinese Communist Party, Mr Hu Yaobang. Senator Button confirmed that an Australian delegation would visit China as soon as possible to study prospects for a new 7 million ton iron ore mine in Guangdong Province. However, he emphasized that the Guangdong proposal was only one of several proposed by different Chinese provinces and it was up to the central authorities to decide which would go ahead.

On the proposed Chinese iron ore mine at (Chana) and the reopening of the (Quinana) smelter, both in Western Australia, Senator Button said that representatives from the Australian mining companies--Hamersly and BHP--would continue discussions in Beijing shortly.

CSO: 4200/1084

5 July 1985

## AUSTRALIA

## ARTICLE ON ALLEGED COMMUNIST LINKS OF ALP SOCIALIST FORUM

Melbourne THE AGE in English 27 Apr 85 p 2

[Article by Tim Colebatch]

[Text]

**L**AST Sunday, as the four right-wing unions took their seats in the ALP, Bill Hartley started a new war. He announced he would move at the next ALP state conference for the party to proscribe an organisation few have heard of: the Socialist Forum.

In tones reminiscent of the Split, an angry Mr Hartley denounced the forum as "a secret organisation which is stationing former members of the Communist Party in the ALP". He accused it of engineering the readmission of the four unions, and called it "as bad as the National Civic Council".

A secret body of former communists engineering the readmission of former DLP unions to the ALP? The Socialist Forum sounded too interesting to ignore.

When we tracked it down in a Fitzroy office, organiser Mark Taft seemed partly puzzled, partly cynical about Mr Hartley's virulent attacks. "I don't want to sound modest, but we haven't got anything like the influence Hartley claims for us," he said.

"Take the four unions issue. The forum has never discussed the readmission of the four unions, formally or informally. Yet he says we are responsible for it!"

"He has also blamed us for the liquidation of AUS (the Australian Union of Students), for the Cain Government's backdown on the Legislative Council, and he calls us 'the architects of the accord'. Honestly, it's a feat of the imagination."

"I suspect he's really fighting a proxy war. He's attacking us as a way of getting at people he can't at-

tack publicly, like Gerry Hand, Caroline Hogg, John Halfpenny and Paul Slape (state secretary of the Municipal Employees Union, and a moderate Left leader)."

Then what is the Socialist Forum? Mark Taft, 35, fellow organiser Julia Gillard, 23, and management committee member Rob Reid-Smith, 39, say it is just what its title says: a forum, a place where socialist activists meet to trade ideas.

The forum, they say, has no policies. It passes no motions or resolutions. It does not engage in the political numbers game. Its members meet just to talk, listen, argue and think.

Julia Gillard, herself a member of the Socialist Left, says it is unique on the Left — and that is part of the reason why the hard Left misrepresents it:

"Some people can't imagine politics without resolutions and amendments, the struggle for control of the machine, the caucusing and lobbying beforehand," she says. "So they assume we must do all that sort of thing too."

The reality, they say, is otherwise. "The real strength of the forum is that it is all open discussion, and at the end of the evening there is no coercion to vote for a particular line," Mark Taft says.

"Where else can you go if you want to discuss political ideas in Melbourne? You can't go to a political party meeting, because there is no open-ended discussion. The forum is a place where you can talk about politics seriously, try out your ideas on other people and learn from theirs."

A few facts about the Socialist Forum are not in dispute. It was formed last August following the split in the Communist Party, which saw the leadership of its Victorian branch, the most liberal in the party, resign to seek a new future elsewhere: ultimately, no doubt, in the ALP.

The forum has 220 members: 45 of them from the group who left the CPA, about 80 who are in the ALP (roughly half of them in the Socialist Left) and 100 or so with no recent political affiliation. Outsiders generally see it as a stronghold of the moderate or pragmatic Left.

A leading example is Bruce Hartnett, an ACTU research officer now on secondment to the Premier's Department. Last year he sought ALP Senate pre-selection. Although unsuccessful, he got enough Left unions behind him to thwart Mr Hartley's own candidacy. Forum people think Mr Hartley's obsession with them stems partly from this.

Most of its members were young radicals in the Vietnam era. Now in their 30s, many have important jobs, mostly in the unions or the public sector. They are, Mark Taft says, still committed to socialism but with a different view now of the ideal and the means to it.

A brief statement of identity sums up the forum's differences with the hard left: "Rigidly held positions have no place in our project... Democracy is central to our understanding of socialism... We reject strategies based on minority attempts to impose positions on others".

"Many of the traditional ideas of socialism grew out of the events of 100 years ago," Mark Taft argues.

"For example, we can see now all sorts of limitations and weaknesses in the public sector. There are hard questions you can't dodge, and we try not to dodge them. What we do is ask some of the right questions."

His own models are the union movements of western Europe. Compared to traditional Australian unions, he says, they concentrate less on pay rises, and more on the need for workers' interests to be represented in corporate and government decision-making.

Mark Taft sees the accord as the biggest breakthrough Australian unions have made in recent years. The strong support of forum members for the accord and the present ACTU leadership has been another key issue alienating them from the hard left.

"If unions just ask for pay, the employers make all the other decisions," he says. "And at the end you're left with no pay either because your jobs have gone."

Labor sources think the Hartley move against the forum is unlikely to succeed. For one thing, the Socialist Left is full of former communists already: George Crawford, for example. For another, the forum has influential friends in the union movement. For a third, it has done nothing to warrant complaint.

Prominent ALP and union leaders like Bill Kelty, Brian Howe, Caroline Hogg and Joan Kirner have addressed its meetings. Outsiders feel that while the forum does not operate politically as such, its discussions incline its members to common views and common political action. And these days part of that action is in the battle between moderates and hard-liners for the soul of the Socialist Left.

AUSTRALIA

COLUMNIST DISCUSSES 'MARXIST' INFILTRATION OF ALP

Sydney THE AUSTRALIAN in English 7 May 85 p 9

[Article by B. A. Santamaria in the "A Personal Viewpoint" column: "There's a Warning in Infiltration of NDP"]

[Text]

IT WOULD be a mistake to dismiss the Socialist Workers Party's (SWP) alleged takeover of the Nuclear Disarmament Party (NDP) as much ado about next to nothing.

In Britain, five years ago, an identical Trotskyite group, the "Militant Tendency", established such predominance within the British Labour Party, that the constitutional elements led by Shirley Williams, David Owen and Roy Jenkins, lost hope in the possibility of a fight back from within the machine, broke away and established the Social Democrats.

The Militant Tendency has now either taken over or is close to taking over what remains of the British Labour Party.

If and when Mrs Thatcher "fluffs her lines" as, after 23 years of unbroken rule, the Australian Liberals did in 1972, the only Labour alternative would be not the "true blue" British Labour of an Attlee, Gaitskell, Wilson or Callaghan, but a Trotskyite cabal headed by personalities like Anthony Wedgwood Benn, "Red Ken" Livingstone (chairman of the Greater London Council) and perhaps Arthur Scargill (leader of the National Mine Workers Union).

The Trotskyite phenomenon draws attention to a more general and significant development within the ranks of the Marxist Left which, for the past two decades, has required a different understanding of

the nature of Marxist penetration from that of the '40s and '50s.

The first cut-off point was the disintegration of the unified and disciplined world communist movement which came about after Tito's defection and the Sino-Soviet split.

The second, the "Vietnam experience", represented the triumph of a generation with no personal experience of World War II and the appeasement which led to it, who accepted the KGB's dual disinformation line: "There is no communist problem; hence to warn against communism is McCarthyism."

Despite the loss of organisational unity, this dual development has made Marxism a stronger rather than a weaker opponent; not in terms of winning philosophical converts to Marxism as a systematic ideology, but in weakening the positions - ideological and political - of the opponents of the Soviet Union and thereby strengthening the military and political positions of the Soviets.

Apart from their alleged takeover of the NDP, the SWP is not of great significance in Australia. It is different with another Marxist faction - the Socialist Forum - among whose more prominent figures is numbered a former national secretary of the Communist Party, Mr B. Taft.

The Socialist Forum was formed last year after the resignation of almost the entire



communist trade union leadership from the Victorian branch of the Communist Party.

In this, they simply followed the lead given previously by Mr John Halfpenny, who was for many years a Communist Party member, becoming Victorian State secretary of the metal workers. He left the Communist Party and after the statutory two years of political limbo made his way into the ALP. His union's influence, and therefore his own, in determining the composition of the new Cain Cabinet was not disguised.

The Socialist Forum is obviously a transit camp through which emigres from the Communist Party pass into the ALP without any substantial change in their political opinions. In Victoria and other States, these emigres lead powerful unions in areas such as the metals industry, railways, mining, the meat industry, and so on.

They consider it more important to consolidate their influence within the ALP than to strike empty revolutionary poses within the Communist Party, while thoughtfully maintaining an inner Marxist organisation to ensure a sufficient degree of "democratic centralism", i.e. disciplined voting.

The reality of fragmentation is thus compensated for by the fact that there is an almost limitless number of Marxist organisations: Socialist Left, Socialist Workers Party, Socialist Forum, Communist Party, Trotskyites, left-wing ALP, left-wing ethnic groups of Palestinian, Libyan, Turkish, Greek, Italian origin.

These names constantly crop up. Separately, they might be considered innocuous. Together, even in purely numerical terms, they constitute a formidable force.

But are they "together" or are they as divided as they seem?

The answer appears to be that in terms of strict organisation, they are actually as divided as they showed themselves to be at the recent Victorian ALP conference when 117 Socialist Forum members broke ranks, walked out and let the four anti-communist unions in rather than lose their influence in the administrative committee as a result of federal intervention.

The division, however, is simply as to tactics, not objectives.

All of these apparently fragmented forces press continuously in the same direction — an unabating attack on every anti-communist force or movement in Australian life, from Australia's intelligence services to the National Civic Council, and an equally unabating onslaught on the United States and the American alliance.

If President Reagan says that American policy is based on nuclear deterrence, university-based think-tanks attack nuclear deterrence as immoral. If he seeks to move American policy from deterrence to defence, by way of his Special Defence Initiative (SDI) program, and thus, if successful, to avoid the "immorality" of deterrence, they attack the SDI program and accuse him of planning Star Wars.

If the Pine Gap installation is used quite sensibly to monitor Greece or any other country, left-wing ethnic groups swing into action. And, over all, there is the never-ending ridicule and contempt for every American policy, poured out by the media.

At the end of the day, the objective result of their work is to destroy any effective opposition to communism at home and to the Soviet Union abroad. Whose is the ultimate benefit?

This left-wing pressure is the most powerful organised force in Australian life. Its power is felt in the unions, the Labor Party, the universities, the teaching services, the media and, increasingly, the churches. But, as we saw during the past week, with its extensive and admiring coverage of the tenth anniversary of the communist victory in Vietnam, the jewel in the crown remains the ABC. Australian taxpayers spend over \$400 million a year to finance an organisation which sometimes appears indistinguishable from the Australian edition of Radio Moscow.

Even Radio Moscow might have hesitated to be as blatant as the ABC's *The National* on May 1, when it telecast the totally false and fabricated story of an Australian "massacre" at the battle of Binh Ba on the uncorroborated authority of a Vietcong military officer who stated openly that she was not present and therefore did not herself see anything to justify the libel.

AUSTRALIA

ECONOMIST ANALYZES 'ADVERSE' COST OF GOVERNMENT GROWTH

Sydney THE AUSTRALIAN in English 27-28 Apr 85 p 4

[Article by Paul Lynch]

[Text]

THE rapid growth of government in the past decade has been the most significant structural change in the Australian economy since World War II.

According to statistics prepared by the Institute of Public Affairs (IPA), total government spending in the past 10 years has increased from \$16,147 million in 1973-74 to \$77,428 million in 1983-84. In real terms, this is an increase of 70 per cent compared with growth in the economy of only 28 per cent.

In the same period, government deficits have grown from \$754 million to \$14,807 million. Taxation revenue has grown from just over \$10,000 million to \$54,000 million to pay for the upsurge in government spending.

While the simplistic view has always been that the growth of government merely reflects the wishes of the people, IPA senior economist Mr Jacob Abrahami says fundamental concerns have emerged that public-sector growth and government interference have adverse effects on our economic performance.

There is a growing awareness in business and government itself, he says, that Australia's relatively poor economic growth results in part from the stifling effect that big government has on private enterprise.

He warns in his paper that the issue of big government has become so critical that a restructuring and reduction of the size of government must occur if our economic health is to be restored.

"But restraining and ultimately reducing the size of the public sector will require not only changes in community attitudes but also major institutional reforms," Mr Abrahami says.

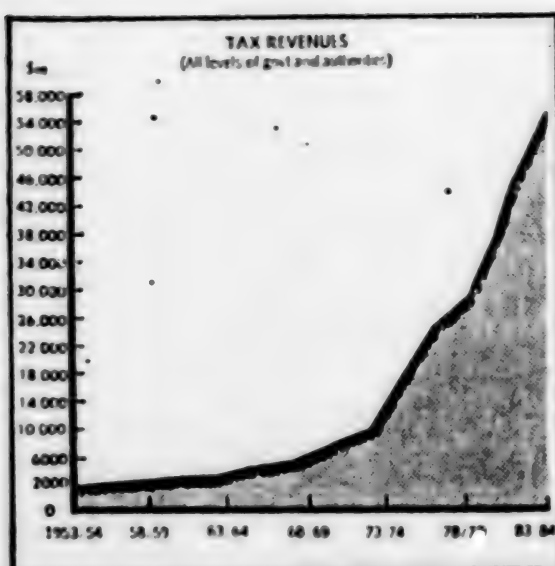
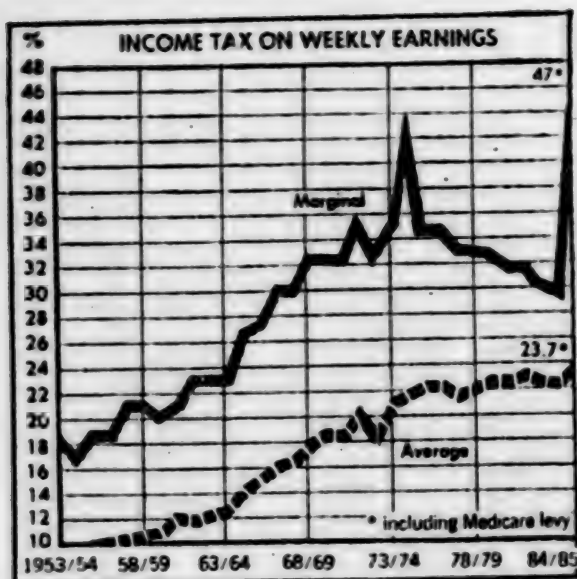
"While no political party as yet has a comprehensive program to reduce government, the need to reduce the public sector has become a bipartisan issue in this country," he says.

Some of the reforms Mr Abrahami advocates in the IPA paper are: following the approach of the Grace Commission in the US to identify and eliminate waste in government; the abolition of excess privileges to public servants; removal of monopoly privileges to Telecom and Australia Post; constitutional change to limit government spending; and the substitution of private contract work for government employment.

By international standards, he says, Australia has always been a nation of big government, particularly in the areas of public-sector employment and the expenditure share that government takes from gross domestic product (GDP).

OECD statistics indicate that 25.4 per cent of the Australian workforce is government-employed — a large percentage compared with nations such as the US (16.7), the UK (21.7) and West Germany (14.5). Japan has only 6.6 per cent of its workforce in the public sector.

In expenditure, Australian governments draw an average 34.3 per cent of GDP to fund



## GOVERNMENT IN THE YEAR 2000

(In 1983/84 dollars)

	1984		2000	
	\$m	% of GDP	\$m	% of GDP
GDP	185,235		348,822	
Government outlays	77,828	41.8	167,718	48.1
Government receipts	82,621	44.6	145,889	41.8
Deficit*	14,807	8.0	41,999	12.3

\* (public sector borrowing requirement).

defence, health, education and welfare programs.

Government outlays have risen sharply, from 31.6 per cent of GDP in 1973-74 to 41.8 per cent in 1983-84. This sharp upsurge in spending has forced governments to increase rapidly their overall levels of taxation.

The IPA estimates that the tax burden which 10 years ago averaged \$2700 a head (in 1983-84 dollars) has risen to \$3600 in 1984 as governments raise taxes to pay for expansion of the public sector.

"Over the years to June 1984, the borrowings of governments and their authorities have accumulated a national debt of \$73,000 million - almost \$5000 for each man, woman and child in Australia," he says.

"Sixteen billion dollars of this debt is owed overseas and the national debt is expected to grow by 40 per cent to \$105,000 million in the next two years."

The interest bill to service this debt is one of the fastest-growing items in government budgets. In 1984-85 it will account for 8.8 per cent of federal budget outlays.

Government deficits have increased dramatically since World War II. In 1954, deficits for all levels of government totalled \$193 million. This rose to \$754 million a decade ago. By 1984, total government deficits in Australia were more than \$14,807 million.

## Jobs

To cover the deficit spiral, Mr Abrahami says, the tax burden on individuals has soared.

"Three decades ago the individual receiving average weekly earnings paid some 10.2 per cent of his earnings in income tax. Today he pays nearly 24 per cent," he says.

Public-sector growth in the past decade can be best illustrated by the increase in government or government-subsidised jobs compared with those in the private sector.

The IPA estimates that 533,000 jobs have been created in the public sector since 1974, compared with 177,000 in the private sector. More than one-quarter of all those employed are government workers.

Inflation has also grown faster in the government sector in recent years. The price of goods and services under the control or influence of government has risen more rapidly than those determined by market forces.

Mr Abrahami says this trend reflects three factors:

**INDIRECT** taxes on items that already carry a heavy tax burden (cigarettes, petrol, alcohol) have been increased further and now rise automatically every six months.

**PUBLIC-SECTOR** suppliers are generally monopolists, are not subject to the discipline of competition and, therefore, have little incentive to resist wage and other cost pressures.

**GOVERNMENTS** are increasingly using pricing policies as a means of general revenue-raising (for example, petrol).

Statistics on outlays, employment and taxation measure only part of the impact of government on the economy.

Mr Abrahami says one of the major problems of big government is the network of regulation.

"Governments have enacted laws concerning minimum wages, minimum interest rates, employment conditions, building regulations and virtually every other area of enterprise," he says.

"Some regulations may be so severe as to discourage certain activities entirely."

An indication of the over-regulation of business can be gauged from a survey conducted in 1979 by the Confederation of Australian Industry.

In the 20 years to 1979, federal and State governments passed 16,631 Acts and 32,551 regulations — a total of almost 50,000 statutory instruments.

The survey found that for every dollar the federal government spends on business regulation, private enterprise must spend three dollars to comply.

It also estimated that the cost to the private sector of this in 1978-79 was \$3720 million — 10 per cent of the outlay of all governments and 3.6 per cent of GDP.

So what are the costs of big government?

The most obvious are the increased levels of taxes and public-sector borrowing required to support it.

Some of the most important costs, however, are non-monetary, Mr Abrahams says.

"These are the distortions introduced into private decision-making by government regulation which reduces efficiency, growth, jobs and opportunities," he says.

The IPA paper defines the costs of big government as:

**INEFFICIENCY:** government provision of some goods and services reflects special-interest-group pressure with little regard to market forces. Resources employed in response to political pressure are more liable to be used inefficiently.

Mr Abrahams argues that even when government services are sold in response to market demand, the absence of market discipline causes these services to be more costly than similar services produced by the private sector.

**WRONG INCENTIVES:** regulations and subsidies change the relative costs of resources to business and hence obscure the real cost of inputs.

**REDUCED PRIVATE ACTIVITY:** large deficits financed by borrowings from the public raise interest rates and "crowd out" private investment, while a rising burden of taxes and charges tends to reduce business profits and inhibit entrepreneurial activity.

**SOCIAL EFFECTS:** big government creates enormous incentives for corruption, while welfare payments and high taxes can discourage work effort.

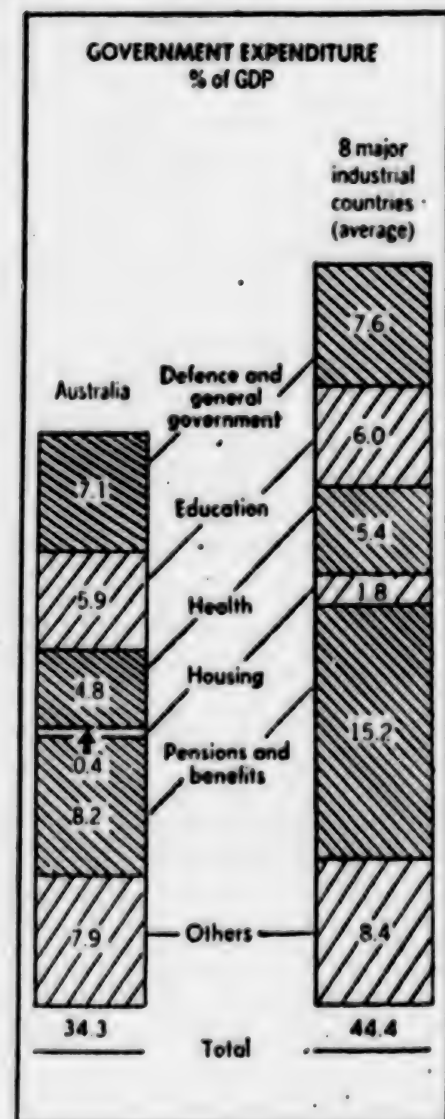
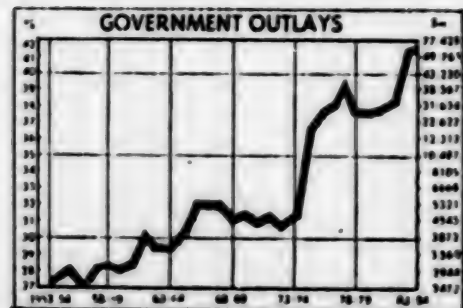
**INEQUITIES:** government employees have become a privileged section of the workforce, enjoying unjustified benefits such as tenure and excessive retirement benefits not available to the rest of the workforce.

Mr Abrahams argues that if governments continue their spending patterns of the past 20 years, by the year 2000 the government sector will be spending 55 per cent of the community's resources compared with 42 per cent today.

If government outlays were restricted to an annual growth rate of 2 per cent they would increase to \$108,418 million in the year 2000.

"This would bring the government's share in total outlays down to 31.8 per cent, a figure which is certainly achievable," Mr Abrahams says.

By restricting real annual growth to 1 per cent — as the economy grows at an average 3 per cent a year — governments can reduce their outlays without eliminating programs.





AUSTRALIA

**\$86 MILLION TRADE DEFICIT POSTED IN MAY**

HK131120 Hong Kong AFP in English 0930 GMT 13 Jun 85

[Text] Canberra, 13 Jun (AFP)--The Australian dollar dropped 1.5 cents against the U.S. dollar today, after a trade deficit in many of 131 million Australian dollars (86 million U.S.) was announced.

This represented a sharp turnaround from a trade surplus of 328 million dollars (216 million U.S.) in April, the balance of payments figures showed.

The Australian dollar, which has been weak throughout this year but rallied slightly in May, lost 1.5 cents on currency markets on the news of \$66.13 U.S. cents today.

The federal statistics office said a strong rise in imports of 18 percent during the month was reflected in all broad commodity groups.

There was a five percent increase in exports compared with 25 percent during April.

Opposition treasury spokesman Wal Fife said the figures indicated the deficit on the balance of payments for 1985-86 was heading towards a record 11 billion dollars (more than 7.2 billion U.S.).

Thus compared with a budget forecast deficit of about eight billion dollars (5.2 billion).

He said there was still no turn around in the balance of payments, despite the largest depreciation in 30 years.

Opposition leader Andrew Peacock said the government had miscalculated the effect of a 20 percent decline since February in the value of the dollar.

Overseas markets for Australia's mainly rural and mineral exports had remained depressed.

On the other hand manufacturers, who had become more reliant in recent years on imported materials and semifabricated goods, were continuing their levels of imports in order to maintain production. Mr Peacock said the core of the government's problems was its failure to control wage increases.

5 July 1985

## AUSTRALIA

## DETAILS OF TREASURER'S TAX PLAN REPORTED

Sydney MORNING HERALD in English 8 May 85 p 1

[Article by Ross Gittins, Economics Editor]

## [Text]

The tax package being prepared by the Treasurer, Mr Kenting, is likely to cut income tax by at least 25 per cent.

But changes in the income tax system and the impact of a new consumption tax would leave low to average income earners better off by only a few dollars a week. People earning more than about \$30,000 a year would get no net tax cut.

While the Hawke Government and the ACTU are lining up behind what they call "the Kenting package" of tax reforms, the Treasurer has not publicly advocated any particular measures and he refuses to convene the options in public.

The details of the package are still being worked on and amended by Mr Kenting's department, and the package will not take its final form until it is approved by Cabinet and the draft White Paper on tax reform is finalised within the next fortnight.

There is still time for slips 'twixt cup and lip, but this is the package which I believe Mr Kenting has in his mind:

**Income tax**

A cut of 25 per cent or more in income-tax collections. The present tax-free threshold of \$4,595 a year will be removed and the tax scale significantly changed.

Income tax will begin with the first dollar of income, taxed at a rate of 10 per cent. There will be four other tax brackets up to a top marginal tax rate of 50 per cent.

But the tax brackets will be very broad and the top tax rate will cut in at an income level considerably higher than the present \$35,000.

The marginal tax rate faced by people on average weekly earnings should drop from 46 per cent to 30 per cent, while the rate for most in the 60 per cent bracket should drop to 40 per cent.

But the abolition of the tax-free threshold will prevent middle and higher income-earners from receiving an income-tax cut much greater than the increase in their cost of living caused by the new consumption tax.

People on annual incomes of between about \$15,000 and \$30,000 should find that they are left with a net tax cut of a few dollars a week, after allowing for increased indirect tax.

People on incomes above about \$30,000 will get no net tax cut.

People who have been evading tax, or avoiding it in ways which the package moves against, will find themselves somewhat worse off.

**Tax credits**

To replace the present tax-free threshold and to compensate low income-earners for the higher prices produced by the new consumption tax, the Government will either adapt the present Family Income Supplement arrangement or introduce a new system of tax credits.

The two options are similar, although the transformed FIS would be administered by the Department of Social Security, while the tax credits would be built into the income-tax system.

A tax credit is similar to a tax rebate, except that where a tax credit is greater than is needed to wipe out a person's income tax liability, the balance is refunded in cash to the taxpayer.

The Government could give each taxpayer a tax credit of, say, \$1,000 a year for himself, plus another \$1,000 if he had a dependent spouse and \$500 for each dependent child.

But the tax credit would be income-tested, cutting out at a rate of 20 cents for every dollar earned above, say, \$5,000 a year. Thus tax credits would be of no value to middle and higher income-earners.

### **Consumption tax**

A consumption tax will be imposed at a single rate of 12.5 per cent, or perhaps 15 per cent.

It will take the form of a sales tax levied at the retail level on virtually all goods and services.

Exemptions from the tax will be kept to an absolute minimum — mainly, items which are hard to tax for administrative reasons. Rent payments will not be taxed.

The retail sales tax will apply to such untaxed "necessities" as food, clothing, footwear, books, papers and power.

It will also cover virtually all untaxed services, including restaurant meals, accommodation, air fares, hair cuts, legal and accounting fees, advertising and the labour content of car repairs.

### **Sales tax**

Part of the proceeds of the new retail sales tax will be used to abolish the present sales tax, which is levied at the wholesale level. This will cost about \$5 billion a year.

The present sales tax applies to most manufactured goods other than "necessities" and is levied at three rates: the low rate (7.5 per cent) the standard rate (20 per cent)

and the luxury rate (32.5 per cent).

When the new retail tax replaces the old wholesale tax, the prices of goods at present taxed at the low rate should rise by significantly less than 12.5 per cent; the prices of goods taxed at the standard rate should be little changed, and the prices of goods taxed at the luxury rate should fall.

The Government will be at pains to prevent profiteering, because the abolition of the wholesale sales tax is the main reason why a new broad-based consumption tax of 12.5 per cent is expected to raise the Consumer Price Index by only about 7 percentage points.

### **Pensions, benefits**

All social security pensions and unemployment benefits, including additional payments which are not normally indexed, will be increased by the full extent of the rise in the CPI, to ensure that the new consumption tax leaves welfare recipients no worse off.

### **Family allowances**

Family allowances may not be increased, but will not be abolished. The dependent spouse tax rebate will be abolished, at an annual saving of about \$1 billion.

### **Capital gains**

A moderate tax on capital gains will be included in the package, yielding revenue of about \$300 million a year when it is fully running.

It will not apply to the family home; will be indexed for inflation; will not be imposed retrospectively and will make some allowance for capital losses.




### **Capital taxes**

The package will *not* include death and gift duties, nor any form of wealth tax.

### **Fringe benefits**

The package will involve a limited attack on fringe benefits and other forms of tax avoidance and evasion. The attack will be limited by political and administrative problems.

## HOW THE NEW TAX SYSTEM WILL AFFECT YOUR SHOPPING

 <b>PRICE WILL FALL BY LESS THAN 12.5</b>	 <b>LITTLE CHANGE IN PRICE</b>	 <b>PRICE WILL FALL</b>
<b>Low Rate</b>	<b>Standard Rate</b>	<b>Luxury Rate</b>
Refrigerators Freezers Washing machines Vacuum cleaners Sewing machines Kitchen appliances Crockery Cutlery Glassware Lighting Furniture Floor coverings Blinds Matches Vases	Cars & car parts Caravans Trailers Boats Tents Lawn mowers Sporting equipment Stationery Toilet paper Toys and games Saddles & harness Imported alcohol Soft drink Confectionery Soaps/Detergent Oils & greases Computers Business equip Pet food Ag. machinery Insect sprays	TV sets Radios Video recorders Stereos Cameras Film & equipment Jewellery Watches Furs Cosmetics Shavers Combs Pens Artificial flowers Tape recorders Film projectors Felt-tipped pens Alarm clocks TV pic tubes Sun tan lotions Video tapes

The Keating package involves a new consumption tax of about 12.5 per cent applied at the retail level to virtually all goods and services. This will increase the retail price of many presently untaxed necessities and services by about 12.5 per cent. However, many other goods are presently subject to sales tax levied at the wholesale level. The wholesale sales tax is to be abolished in the Keating package. This makes it likely that the prices of goods presently taxed at the low wholesale sales tax rate of 7.5 per cent will rise by less than the full 12.5 per cent; prices of goods presently taxed at the standard rate of 20 per cent should be little changed, while the prices of goods presently taxed at the luxury rate of 32.5 per cent should actually fall.

AUSTRALIA

BRIEFS

PACIFIC AID PROJECTS—Approval has been given for another 18 projects in the South Pacific under an Australian aid program. The projects will be in Papua New Guinea, Western Samoa, Tonga, Fiji, Vanuatu, and Solomon Islands. They will cover a wide range of fields such as clothing manufacture, electricity generation and distribution, and poultry farm management. The projects will take place under a program operated jointly by the confederation of Australian industry and the Australian Government's aid agency. [Excerpt] [Melbourne Overseas Service in English 0830 GMT 11 Jun 85 BK]

CSO: 4200/1084



BURMA

RANGOON NOTES MORE INSURGENTS SURRENDER 22-31 MAY

BK151020 Rangoon Domestic Service in Burmese 0430 GMT 15 Jun 85

[Text] Insurgents from various organizations who have come to realize their wrongdoings have been surrendering to various military camps. The following surrenders were reported between 22 and 31 May.

Northern Military Command: Private Ma Hkaw Law of the 12th Battalion of the Kachin insurgent group surrendered to the Myitkyina garrison while Pvt Imbrangam of the 1st Battalion surrendered to the Man Si Garrison

Northern Military Command: From the Burma Communist Party [BCP], Pvt Aik San of the 801st Battalion surrendered with an M-21 automatic rifle to the Mu-se Garrison and Pvt (Lauk Sen) of Kokang surrendered to the (Talawatan) Garrison. Pvt Aik Shein of the Shan insurgent group's 816th Battalion surrendered to the Kyaukse Garrison.

Central Military Command: From the Karen insurgent group, Pvt San Myint of the 8th Battalion surrendered at Taunggya Garrison while Corporal Elias of the 2d Brigade surrendered at the Thandaunggyi Garrison.

Western Military Command: Pvt Maung Mya Tun of the Red Flag [indicating affiliation with the BCP] Arakanese Communist Party surrendered at the Wela Garrison.

Northwest Military Command: Pvs San Hkan and Aik Tun of the Palaung insurgent group's 122d Battalion surrendered at the (Tinkin) camp.

Eastern Military Command: Pvt Takyaw of the Red Pa-O insurgent group surrendered with an M-22 automatic rifle at the Hsi-hseng Garrison. Pvs E-ku and Ka-se of the Lahu insurgent group--BCP lackey--surrendered with two M-14 automatic rifles at the Tongta Camp. Pvs Aik Maung and San Tun of the BCP's 4046th Battalion surrendered with two M-22's to the Mong Pun Garrison.

CSO: 4211/66

BURMA

BRIEFS

KAREN ATTACK ON RAILROAD REPORTED--Mae Sot--Karen rebels blew up railway tracks in central Burma last month, derailing five train carriages carrying over 200 Burmese troops, a Karen source said this morning. Casualties were not known. An intelligence source in this norther Thai border town said in a separate interview that about 200 Burmese soldiers were believed injured in the 23 May attack, some 70 miles from Rangoon. [Text] [Bangkok BANGKOK WORLD in English 14 Jun 85 p 3 BK]

CSO: 4200/1090

FIJI

## SUGAR CANE HARVEST DELAYED BY SMALLHOLDERS

Kuala Lumpur BUSINESS TIMES in English 20 May 85 p 5

[Text]

FIJI'S 1985 sugar cane harvest is being delayed by the refusal of smallholders to cut cane until the state-controlled Fiji Sugar Corporation agrees to pay more than the F\$17.50 a tonne it has forecast it will pay for cane, a corporation spokesman said.

Industry sources said many of the 22,000 small cane growers are refusing to cut cane until they receive assurances they will receive at least F\$20 a tonne.

The forecast price is the lowest for 10 years, they said, although one noted it is usually lower than the final price growers receive.

The corporation has estimated the 1985 crop at 4.2 million tonnes cane, unchanged from 1984, and expected to

yield more than 460,000 tonnes of sugar.

The corporation's chief executive, Mr Rasheed Ali, said two of its four mills had begun crushing last Monday, but none of the 4,600 farmers on the second largest island, Vanua Levu, has begun harvesting the island's estimated 1.16 million tonne crop, Mr Ali said.

Only a few of the 6,000 farmers in the Rarawai mill area on the main island, Viti Levu, have begun harvesting their crop.

Two other mills are due to begin crushing by mid-May, Mr Ali said.

Sugar industry representatives said they expect to soon meet to discuss the growers' grievances. Growers have so far received

SUVA (Fiji), May 19

more than F\$20 a tonne for the 1984 crop and are due to receive one final payment.

NEW DELHI: Indian sugar production in the first half of the 1984/85 year ending September rose to 5.34 million tonnes from 5.08 million in the year-earlier period, the Indian Sugar Mills Association said in a statement.

It said total offtake in the period was 3.89 million tonnes, including 395,000 tonnes of imported sugar, for domestic consumption and 2,000 tonnes for export, against 3.75 million and 544,000 for export.

Total factory stocks on March 31 were 4.21 million tonnes, including 88,000 of imports, down from 5.38 million.

Reuter

CSO: 4200/1081

5 July 1985

## INDONESIA

## BANK OF INDONESIA GOVERNOR ON MONETARY SITUATION

Jakarta BUSINESS NEWS in English 29 May 85 p 7

[Text]

Banks are at the present time able to give bigger credits to the community because of the rapid increase in the amount of funds, Governor of Bank Indonesia Dr. Arifin Siregar told reporters after he met with President Soeharto at Bina Graha here Tuesday.

The total amount of banks' credits in 1984 increased by Rp 3.6 trillion, or an average increase of 23 - 24 per cent a year, according to the governor of the Indonesian central bank. The increase in the amount of banks' credits is encouraging, Arifin Siregar said. He pointed out that funds mobilized by banks have been supplied to the community and business circles had utilized the good financial condition.

Concerning the monetary condition in Indonesia, he said it generally remained stable. The development of Indonesia's foreign exchange reserves is encouraging, according to Arifin Siregar. He disclosed that Indonesia's foreign exchange reserves had up to the end of April 1985 reached over US\$ 10.5 billion, comprising around US\$ 5.821 billion at Bank Indonesia and about US\$ 4.7 billion outside Bank Indonesia.

When the government announced the devaluation of the rupiah in March 1983, Indonesia's foreign exchange reserves stood at US\$ 6.3 billion, composed of about US\$ 3.3 billion at Bank Indonesia and US\$ 3.0 billion outside Bank Indonesia.

The encouraging development of foreign exchange reserves is supported by the increase in exports, while Indonesia's imports slightly decline. Such a condition has caused the balance of payments to show a surplus.

CSO: 4200/1052



INDONESIA

TRADE FIGURES WITH AUSTRALIA

Jakarta BUSINESS NEWS in English 22 May 85 p 7

[Text]

Indonesia incurred a cumulative deficit amounting to US\$ 603.7 million in trade with Australia in the 1975-1980 period. But the trade deficits Indonesia suffered turned to surpluses in 1981 and 1982..

The balance of trade showed a total surplus of around US\$ 394.8 million for Indonesia in 1981 and 1982. But in 1983 and 1984 Indonesia recorded a total deficit of US \$.290.6 million.

Thus Indonesia has sustained a cumulative deficit totalling US\$ 500 million in trade with that neighbouring country in the past ten years.

The balance of trade between Indonesia and Australia in the past ten years (1975-1984), according to data obtained from BPS (Central Bureau of Statistics) is as follows :

YEAR	INDONESIA'S EXPORTS		INDONESIA'S IMPORTS		BALANCE FOR INDON. (US\$)
	VOLUME (M.TON)	FOB VALUE (US\$)	VOLUME (M.TON)	FOB VALUE (US\$)	
1975	25,412.7	20,632,598	698,749.0	158,681,000	- 138,048,402
1976	124,680.1	31,177,967	759,668.7	189,545,378	- 158,367,411
1977	121,389.4	60,459,259	895,312.2	185,874,308	- 125,415,049
1978	747,318.6	106,912,313	898,918.8	217,951,322	- 111,039,009
1979	1,036,337.4	190,049,590	854,666.9	222,499,585	- 32,449,995
1980	1,305,420.1	339,110,790	1,169,116.6	377,576,760	- 38,455,976
1981	1,586,989.6	447,276,633	1,161,666.2	362,057,302	+ 85,219,331
1982	2,444,954.2	674,174,555	1,140,494.4	364,599,070	+ 309,575,485
1983	724,426.0	208,445,020	1,148,520.4	402,280,809	- 193,835,789
1984	910,077.0	275,176,647	1,279,346.7	372,021,101	- 96,845,554

Bilateral trade between Indonesia and Australia has grown rapidly in the past ten years. The flow of trade between the two countries stood at about 715,000 metric tons worth US\$ 180 million in 1975, jumped to around 1.7 million tons worth US\$. 810 million in 1981.

The value of trade between the two countries soared further to over US\$ 1 billion in 1982. But in the past several years, the trade value has kept on declining, to the level of only US\$ 600 million.

Australia's imports from Indonesia had up to 1977 been limited to certain commodities such as tea and coffee. But since 1978, Australia's imports of Indonesian commodities have also included oil and natural gas. In the past several years, Australia's imports have covered around 185 kinds of Indonesia's exports commodities, including: oil, liquefied propane and butane, Robusta and Arabica coffee, black tea, white pepper, cinnamon, processed rattan, tuna fish, soybean sauce, shrimp chip, coconut, duck feather, tyres for passenger cars, tyres for trucks, sawn timber, plywood, textile, batik, furniture and handicraft products.

Indonesia's imports from Australia at present consist of around 200 kinds of commodities, including : cattle, frozen meat, milk, cheese, mutton, wheat, rice, vegetables, fresh fruits, dried fruits, sugar, honey, animal feed, pulp and waste paper, cotton, oil products, animal fat, hydrocarbon, synthetic rubber, chemical, paper, processed copper, machinery and electronic goods.

CSO: 4200/1052

INDONESIA

**EAST TIMOR'S PROGRESS IN EDUCATION CALLED REMARKABLE**

Jakarta ANTARA NEWS BULLETIN in English 29 May 85 p A1

[Text]

Jakarta, May 29 (ANTARA).- East Timor's progress in education is quite remarkable and may well be considered as one of the nation's greatest achievement.

This was stated by the minister of education and cultural affairs Professor Dr. Nugroho Notosusanto, here Tuesday at an official meeting with the Commission IX of the DPR (Legislative Assembly).

Minister Nugroho explained that during the first year of East Timor's integration into Indonesia in 1976 there was practically no one of the inhabitants spoke Indonesian. But now the situation has drastically changed and many of them understand Indonesian.

As a comparison, the minister says that East Timor's progress in this field is way ahead than Irian Jaya's. This is due to East Timor's geographical condition which is not as complicated as Irian Jaya's. East Timor's population is less than Irian Jaya's and the East Timor people are not as dispersed as Irian Jayans.

The ABRI (Armed Forces) personnel stationed in the nation's youngest province as well as other government officials should be praised for educating and teaching the Indonesian language to the local people.

CSO: 4200/1051

INDONESIA

S. SULAWESI RECEIVES 5,150 TRANSMIGRANT FAMILIES

Jakarta ANTARA NEWS BULLETIN in English 28 May 85 p A5

[Text]

Ujungpandang, May 28 (ANTARA).-- This year 5,150 families (23,750 people) from Java, Bali and Lombok will be resettled in the transmigration sites in Luwu and Mamuju, South Sulawesi.

The head of the South Sulawesi regional office of the ministry of transmigration, Soetijoadi, said Monday of the total 4,400 families are public transmigrants while the rest are transmigrants for plantation projects.

The state-owned plantation company 28 (PTP- 28) has allocated 25,000 hectares of land in Mamuju for the rubber plantation projects.

Mamuju, the second transmigration site in South Sulawesi, has so far received 2,600 transmigrant families from Java, Bali and Lombok. Meanwhile Luwu has received more than 5,600 families since Pelita I (the first Five-year Development Plan).

The district of Mamuju covers an area of 11,057.81 square kilometers. According to the 1983 census 117,564 people lived in the region. Before 1982 when an access road to the region was opened Mamuju has been known as the poorest district among the 21 districts in South Sulawesi. By transmigration the district is expected to develop ..

CSO: 4200/1051



INDONESIA

COOPERATION AGREEMENT WITH NETHERLANDS NEWS AGENCY SIGNED

Jakarta ANTARA NEWS BULLETIN in English 24 May 85 p A7

[Text]

Jakarta, May 24 (ANTARA).-- A cooperation agreement between ANTARA News Agency and the Dutch News Agency ANP (Algemeen Nederlands Persbureau) was signed Friday with Tranggono SH and Karel van Ditshuizen respectively acting on behalf of their respective news agencies.

The agreement provides for the two news agencies to explore possibilities of cooperation in the field of communications with a view to facilitating the regular exchange of news, articles and photos of interest to both parties.

Under article three it was agreed that after ANTARA has reached full computerization, ANTARA and ANP will exchange information and experience on their respective computer systems.

The two will study Possibilities of cooperation in the training of journalists and the exchange of journalist trainees.

To work out more concrete schemes and suggestions it was agreed that ANTARA and ANP will exchange visits and hold further discussions between their respective executives or senior journalists from time to time with the first of such exchange and discussions projected for 1986 and 1987.

CSO: 4200/1051

INDONESIA

PROMOTION OF COOPERATION WITH INDIA HELD POSSIBLE

Jakarta BUSINESS NEWS in English 8 May 85 p 6

[Text] The Head of the Indian Engineering Export Promotion Council (EEPC), R.P. Jhalani, said here recently that there were opportunities to promote bilateral cooperation between Indonesia and India.

R.P. Jhalani headed an Indian delegation which visited Indonesia from May 1 through 3. The visit of the delegation, according to Jhalani, is aimed at exploring the possibility of stepping up technical cooperation between the two countries.

After holding talks with the Industry Department, Kadin (Indonesian Chamber of Commerce & Industry) and BKPM (Investment Coordinating Board), the Indian delegation concluded that there were a lot of opportunities to promote technological cooperation between the two countries as part of the realization of the South-South cooperation or cooperation between the developing countries, according to Jhalani.

The Indian delegation realized that Indian businessmen could establish joint venture companies in various fields in Indonesia. Jhalani promised to tell members of EEPC that they could invest their capital in Indonesia. EEPC now has around 5,000 members.

The delegation discussed with Kadin the possibility of giving opportunity to Indonesian businessmen to visit India to see the progress made by that South Asian country in developing its industries and in the application of technology.

The Indian delegation invited Indonesian businessmen to take part in the New Delhi International Trade Fair to take place in the capital of India from November 14 through 27, 1985.

EEPC, which has 13 representative offices abroad, including Jakarta, will participate in a machine-tool exhibition scheduled to be held in this capital of Indonesia shortly.

A.K. Basu, commercial counsellor of the Indian Embassy here, stated meanwhile that technical cooperation between the two countries was directed to the promotion of bilateral trade relations.

He disclosed that India's exports to and imports from Indonesia respectively stood at US\$ 45 million and US\$ 43 million. But in 1983, Indonesia recorded a deficit of US\$ 45 million, as Indonesia's exports to India were worth US\$ 55 million, whereas Indonesia's exports to Indonesia [as published] reached only US\$ 10 million.

In the first seven months of 1984, Indonesia's exports to and imports from that South Asian state reached US\$ 18 million and US\$ 39 million respectively.

India wants to import various commodities from Indonesia, according to Basu. However, he expressed concern over the fact that Indonesia could not supply certain commodities such as natural rubber, palmoil, fertilizer and tin to his country.

CSO: 4200/1012

INDONESIA

BUSINESS NEWS COMMENTS ON HUGE RICE STOCK

Jakarta BUSINESS NEWS in English 1 May 85 pp 3, 4

[Editorial: "Bulog Has 2.7 Million Tons in Stock"]

[Text] During this harvest period of April and May Bulog (Board of Logistics) has 2.7 million tons of rice in stock. It is not surprising that the main issue in the purchase of unhusked rice by Bulog this time is the aspect of "quality" connected with the degree of its moisture or dampness, which should not be too high.

With the stock of 2.7 million tons at present, Bulog has the biggest rice supply in the world. In this way Indonesia becomes a potential exporter. Unfortunately this is difficult to last because the domestic rice price is too high so that if the rice surplus is exported, what happens will be subsidized exports.

As a comparison, white Thai rice 15 percent costs US\$ 217 per ton while in Indonesia the retail price is Rp 380 per kilogram. By taking into account that the international price is f.o.b. and thus it is also necessary to calculate transportation cost and other fees, our rice price remains at least 30 percent higher than the world price.

The Bulog stock of 2.7 million tons, valued in the rupiah by calculating the average price of rice ranging from Rp 350 to Rp 360 per kilogram, totals around 800 billion to one trillion rupiahs.

This situation is indeed different from the condition in 1972, when Indonesia had to import rice worth hundreds of millions of dollars as a result of harvest failures.

Therefore, from the perspective of the New Order's economic history it is just as indicated by Prof. Widjojo Nitisastro at the seminar of ISEI in Batu, Malang, that the problem of over-supply of rice we are facing is very fundamentally different from the shortage in 1972, which caused major inflation and a critical situation in the balance of payments.

Nevertheless, the 2.7 million tons of stock at Bulog's disposal is fairly serious and should be considered by all relevant circles because of the



potential the stock may create against producer-farmers. These farmers, based on many reports, are now in difficulty with the rather tough quality requirements imposed by Bulog.

In addition, the condensed bulletin of BPS (Central Bureau of Statistics) of March 1985 registers a very low inflation increase. As a whole the inflation rate is put at 0.18 percent for the first quarter of 1985 compared with the first quarter of 1984. From the price group of inflation figures data can be obtained on how prices of grains and legumes dropped by around 2-3 percent. Hence the situation of rice price decline, which later is combined with the problem of quality, will both create a disincentive to farmers for the next planting season.

In the first harvest season of this year within these months, it seems that the effect of this disincentive will not be felt because the situation is still overwhelmed by the brilliant success of harvests in 1983 and 1984. In 1984 rice production increase was higher than 7 percent over that in 1983.

The condition that has brought Indonesia to the acquisition of Bulog's rice stock of 2.7 million tons (which is likely to increase in this harvest season to more than three million tons) and the abundant rice production marked by price decline, reflect the absorption of economic policy makers' orientation in the mere increase of rice production. A single-staple-food policy appears to apply, which is almost absolute and at all cost. So the situation arises in which fertilizer subsidies have made the ratio of fertilizer to rice far beyond the ideal ratio known as the farmers' formula (1 kilogram of fertilizer = 1 kilogram of rice at farm gate).

At this moment the government is apparently well aware of the importance of a multiple-staple-food policy, where the motto is food self-sufficiency instead of fertilizer self-sufficiency. So fertilizer subsidies are accordingly reduced, the quality requirements for unhusked rice are toughened, maize and cassava production increase begins to show results in spite of their non-systemic handling.

What should be underlined in this context is that the shift in food policy orientation must not take place too abruptly. The change with the reduction of fertilizer subsidies and the fixation of the new floor price for unhusked rice is an example of a correct price policy. But Bulog's too rigid application of "quality" requirements can still perhaps be reviewed. Naturally, the fact that Bulog itself has to pay expensive cost for storage and preservation as well as other spendings for the iron-stock should on the other hand be given due consideration. But it should be borne in mind that in the recession period of 1982-1984, the economic rescuer was production of agriculture, whose sectoral growth exceeded national growth.

However hard hit the sector of industry was during 1982-1984 and also 1985, the situation would be graver if the sector of agriculture suffered a blow viewed from its impact on the entire national economy.

CSO: 4200/1012

INDONESIA

INVESTMENT, CAPACITY OF SHIPBUILDING INDUSTRY DESCRIBED

Jakarta BUSINESS NEWS in English 15 May 85 pp 7, 8

[Text] The total investments of state enterprises operating in the shipbuilding industry in Indonesia are projected at Rp 118,417 billion at the end of this year, a sharp increase compared with Rp 87,141 billion at the end of 1984.

The earning of the six companies from the sale of their products is projected to reach Rp 78.133 billion in 1985, an increase compared with Rp 57.618 billion last year, Director General for Base Metal and Machinery Industries Ir. Eman Yogasara told newsmen when President Soeharto and Minister of Industry Ir. Hartarto inspected the Singkep I dredging vessel at the Tanjung Priok harbour here recently.

He pointed out that the government had decided to build in the country vessels of below 3,500 DWT. He admitted that the cost of the building of ships in the country was still big, because of inefficiency. The design of ships of certain standards is based on the design of foreign made vessels, but adjusted to the demand in the country, he added.

The role of supporting industries, including small industries, is given priority in the development of the shipbuilding industry in Indonesia, the director general explained, adding that the development of software in the shipbuilding industry would be given priority in Pelita IV (fourth five-year development plan).

The shipbuilding industry is expected to be able to repair ships with a total capacity of 9.8 million DWT/year and to build new vessels with a total capacity of 327,700 DWT/year in the current Pelita IV. At the end of Pelita IV (1988/89), only vessels of over 15,000 DWT will be built in other countries.

Local dockyards had a capacity to repair 663 vessels in 1984. The shipbuilding industry in the country has since 1924 built 1,860 vessels.

The government has decided to build 80 merchant ships in the country in Pelita IV. The 80 new vessels to be built by local dockyards will consist of 24 vessels of 1,000 DWT, 38 vessels of 2,000 DWT and 18 vessels of 3,000

DWT. The government will begin to open tenders for the building of the 80 vessels in August 1985.

Besides those 80 merchant ships, three special vessels for the transport of fertilizer each with a capacity of 10,000 DWT, five LPG tankers for Pertamina each with a capacity of 3,500 DWT and four special vessels for PN Garam with a total capacity of 10,000 DWT will also be locally built.

Indonesia now has 138 dockyards which serve the building of steel ships. Half of those dockyards are located in Java. Those 138 dockyards have a total shipbuilding capacity of 169,000 DWT/year and a docking capacity of 174,750 DWT/year.

CSO: 4200/1012

INDONESIA

FRG SOFT LOANS FOR POWER GENERATION

Jakarta ANTARA NEWS BULLETIN in English 29 May 85 p A8

[Text]

Jakarta, May 29 (ANTARA).-- West Germany has decided to grant a soft loan of some D.M.100 million/Rp.36.8 billion to Indonesia for the 1984/1985 fiscal year. /or

An agreement on the loan was signed here Wednesday by West German Ambassador to Indonesia Helmut Matthias and Director General for External Economic Relations Atmono Suryo.

Under the agreement, Indonesia is to repay the loan in a 30-year period with a two-percent annual interest rate and a ten-year grace period.

The fund will be used for financing diesel power generating plants designed for stepping up electricity capacities in areas outside Java, the construction of the Java Extra High Voltage electricity network between West and East Java; and expansion of the Digital Telecommunication Switching System in the country.

Ambassador Mathias said the agreement was the 16th agreement on financial aid signed by West Germany and Indonesia.

He added that the soft loan of DM 100 million is as big as the loan given for the 1983-1984 fiscal year.

He said the magnitude of the soft loan given within the framework of the IGGI (Inter-Governmental Group on Indonesia) indicated the depth of attention given by West Germany on the progress of development in Indonesia.

Since 1965, he said, Indonesia is the biggest recipient of technical and financial assistances from West Germany. The total amount has now reached DM 3.3 billion.

CSO: 4200/1052

INDONESIA

**PERTAMINA REPAYS ALL ITS DEBTS**

Jakarta ANTARA NEWS BULLETIN in English 30 May 85 p A8

[Text]

Jakarta, May 30 (ANTARA).-- The state-owned oil company Pertamina has by last April 30 repaid all its debts including interests to Bank Indonesia to the total amount of Rp.1.47 trillion, Mines and Energy Minister Subroto said Thursday.

Subroto was talking to reporters after, together with Pertamina's chief director Abdul Rahman Ranly, he met with President Soeharto at Bina Graha.

Meanwhile, he added, the BPKP, the state finance and development audit board, had examined Pertamina's book-keeping for the 1983-84 financial year and declared that the book-keeping of Pertamina for that year was "auditable and accountable" as desired by the government.

In 1983-84, Pertamina had an income of Rp.10,695.36 billion and an expenditure of Rp.7,425.57 billion. Thus that year the company made a profit of Rp.3,269.79 billion before taxes.

This indicates progress in efforts to enhance the management and administration of the state-owned company, Subroto commented.

Answering question, Subroto said that in 1983-84 Pertamina recorded a total asset of Rp.13,115.65 billion.

In their meeting with the president, Subroto and Ranly also discussed plans for the centennial anniversary of the oil industry in Indonesia which will be carried out in June.

The history of the oil industry in Indonesia began in 1885, when for the first time oil was discovered in North Sumatera.

CSO: 4200/1052



INDONESIA

SUBROTO ON ESTABLISHMENT OF ASEAN ENERGY COOPERATION COMMITTEE

Jakarta BUSINESS NEWS in English 8 May 85 pp 4, 5

[Text] The establishment of an ASEAN energy cooperation committee to face possible oil shortage in the year 2000 was recommended at a meeting of ASEAN energy ministers in Bangkok on April 25 and 26, 1985. Minister of Mines & Energy Subroto told newsmen after he met President Soeharto at Bina Graha here Monday.

The Bangkok meeting discussed matters related to the use of various energy sources, particularly oil, coal and electricity, according to the minister. Concerning oil supply, Subroto pointed out that ASEAN oil producers had the obligation to help other member countries of the association in oil procurement if oil shortage occurred.

But if oil oversupply occurs on the world market, ASEAN oil importing countries must give priority to ASEAN oil producers in importing oil, the minister continued. Such a cooperation agreement is of importance to the ASEAN countries in overcoming price upheavals such as that occurred in 1978-1979.

Apart from that, the Bangkok meeting has also reached an agreement for the setting up of an ASEAN coal information centre, which will monitor the use and production of coal and provide vocational training to create skilled workers so as to support development in the future use of coal in ASEAN.

The need for coal in ASEAN is expected to increase drastically from only 3.9 million tons in 1984 to 24.1 million tons in 1990. In 1995, the ASEAN need for coal is projected at around 35.8 million-44 million tons.

Thailand, the biggest coal producer in ASEAN, produces around 0.5 million tons of coal/year at the present time. Indonesia's coal production, which is estimated at about 0.5 million tons this year, is projected to jump to 10-12 million tons/year in 1990.

Referring to electricity, Subroto disclosed that ASEAN cooperation in the electricity sector had up to the present time involved ten projects, including the ASEAN power interconnection project, a geothermal project, a nuclear power project, a mini hydropower project and the standardization of instruments.

For the realisation of the ASEAN power interconnection project, ASEAN is studying the possibility of installing power interconnection system between Sumatra and Malaka, West Kalimantan and Serawak, Batam and Singapore and Sabah and the Philippines.

The demand for OPEC's oil in coming summer is projected to reach 45 million barrels, around 2 million barrels below that in the first quarter of 1985.

The low demand for oil in the coming summer will be further weakened by the slow economic growth in the advanced countries, according to Subroto. The minister reported to the President the result of a meeting of the OPEC Executive Committee in Geneva on April 30, 1985.

CSO: 4200/1012

INDONESIA

SUBROTO ON ENERGY SOURCES, CONSUMPTION

Jakarta BUSINESS NEWS in English 10 May 85 p 3

[Text] It is still uncertain whether the price of oil can be maintained at the present level, Minister of Mines & Energy Subroto said at a workshop on energy 1985 here Wednesday. He stressed the importance of emphasizing the Indonesian energy policy on the fulfilment of local demand with reasonable prices and making Indonesian export commodities more competitive on the world market.

The use of oil as an energy source in Indonesia is at present still covers around 74 percent of the whole domestic consumption of energy, while the share of other energy sources in meeting the need for energy in the country is 18 percent for natural gas, 6.8 percent for hydropower energy, 0.8 percent for coal and 0.9 percent for geothermal energy, according to Subroto.  
[sentence as published]

Subroto revealed that the utilization of limited energy sources should be emphasized on efficiency steps and optimum use. The construction of refineries for the processing of crude oil, coal and other energy sources takes around 5 to 10 years in the first stage, the minister said. He voiced the need to create more balanced use of energy sources.

Dependence on Oil

The minister stressed the need to reduce dependence on oil in the procurement of energy, among others by increasing the optimum utilization of other energy sources. The utilization of oil as an energy source remains dominant during the development era which has been running for 40 years, he said.

The consumption of fuel oils in the country, which stood at around 690,881 barrels in 1945, rose to 167 million bbls in 1983, an increase of 242-fold in the 40-year period, according to Subroto.

Indonesia's oil production once reached 1.7 million barrels/day. But with the limitation of oil production imposed by OPEC, Indonesia has to reduce its oil production to 1.189 million barrels/day.

Indonesia's coal production reached about 2 million tons in 1941, but dropped to only 148,000 tons in 1973 and went up again to 646,900 tons in 1983. At the end of Pelita IV (1988/89), Indonesia's oil production is projected to reach 10 million tons/year. [sentence as published]

Diversification in the utilization of energy sources in the past 40 years has also involved the development of geothermal energy. The potential of geothermal energy in Indonesia is estimated at around 10,000 MW. A geothermal power plant now being built in Kamojang, West Java, will have a capacity of 30 MW when completed.

The government is at the present time also developing geothermal energy in other places in the country, such as Gunung Salak, Gunung Drajat and Dieng. Natural gas reserves found in Indonesia contain around 71 trillion cu. feet of natural gas and 8 trillion cu. feet of associated gas.

Besides oil, coal, geothermal energy and natural gas, Indonesia has other energy sources, including the biomass energy source consisting of agricultural and forest waste materials, which reached around 247 million tons in 1983.

#### Energy Forests

Minister of Forestry Sudjarwo said meanwhile that the location and capacity of energy forests had to be adjusted to the available electricity network or the plan of the third sides to expand their power generation or supply.

Thus the development of energy forests needs integrated handling by the Forestry Department and the Mines and Energy Department, the minister said. The Forestry Department, according to Sudjarwo, can carry out the planting of energy forests for power generation based on orders from the state electricity company PLN and other institutions such as cooperatives, state enterprises and major private companies.

The location and acreage of energy forests set up by the Forestry Department depend on the orders, the minister pointed out.

Besides developing energy forests, the Forestry Department can participate in the generation of electricity by applying waste materials from the timber processing industry, including waste materials from sawmills and plywood factories, as fuel.

Waste materials from wood cutting and processing consist of two kinds, namely waste materials from sawmills and plywood factories and waste materials from wood cutting carried out by forest concession holders and wood cutting in the conversion of forest land into plantations, farm land, transmigration centres and roads.

INDONESIA

# FRENCH PULP FACTORY TO BE BUILT IN KALIMANTAN

Jakarta ANTARA NEWS BULLETIN in English 25 May 85 p A3

[Text]

Samarinda, May 25 (ANTARA).- A French company is studying the possibility of building a pulp company with a total production capacity of 150,000 tons of pulp per year as raw materials for paper producing companies.

An official of the East Kalimantan Development Planning Board said Friday that the construction of the pulp company will be in line with the transmigration program in Sesayap, Bulungan Regency, north of East Kalimantan Province.

East Kalimantan which covers a 21.1 million-hectare of land has 17.5 million hectares of forests, 10.4 of which produce 19.5 million metre cubic of wood per year.

Some of the wood have been exported in the form of logs until the end of 1984. The rest were used as manufactured wood like sawn timber, plywood and pulp.

Waste of the wood industry at present is estimated to stand at three metre cubic, 70 per cent of which can be converted into raw materials for pulp.

CSO: 4200/1051



INDONESIA

CONSTRUCTION OF GIANT PAPER MILL IN ACEH TO START IN MID-YEAR

Jakarta ANTARA NEWS BULLETIN in English 27 May 85 p A4

[Text]

Banda Aceh, May 25 (ANTARA ).- The construction of a papermill in Lhokseumawe, North Aceh, some 274 km east of here, is expected to be started in the middle of this year.

The papermill to have a daily production capacity of 500 tons, or 165,000 tons of cement bag paper per annum, will cause Indonesia by year 2000 to become self-sufficient in paper, the president director of the factory Setiyano said in Lhok Seumawe recently.

He said the factory is expected to employ people with different levels of training and education.

He said the project to be built in the Lhokseumawe industrial zone will cost Rp 420 billion, and constitutes a joint venture, with 75% of the funds to come from the government and 25% from PT Alas Melai.

He estimated that the trial production run of the giant factory will be started in 1988, and in 1989 commercial production could be started to meet domestic needs.

The idea on building the project in North Aceh was particularly supported by the fact that the necessary raw material was found in abundance in the area.

The construction of the paper mill will be carried out by Hitachi/Nichimen, an experienced Japanese contractor, with the participation of several local sub contractors.

CSO: 4200/1051

INDONESIA

NETHERLANDS AID FOR QUAY CONSTRUCTION IN MALUKU

Jakarta ANTARA NEWS BULLETIN in English 28 May 85 p A6

[Text]

Ambon, May 28 (ANTARA).- The Netherlands this year provided Rp 1.2 billion in fund assistance for Maluku province for the construction of quays in its 26 regencies, according to Chief of the Project for the Increase of Port Facilities in Maluku, Soedarmadji Tuesday.

He said the assistance was a kind of soft loan to Indonesia for the construction of seaport facilities, particularly in Maluku.

Each new quay will have a capacity of serving 1,000 ton-dwt vessels that will carry out loading and unloading activities of goods to and from the region, in addition to transporting local sea travellers.

According to Soedarmadji, the preliminary survey has been conducted. The construction work will hopefully start in June this year.

CSO: 4200/1051

INDONESIA

DEVELOPMENT OF OMBILIN COAL MINE

Jakarta BUSINESS NEWS in English 24 May 85 p 9

[Text] The development of the Ombilin coal mine in West Sumatra is carried out in stages through the Ombilin project I, II and III. The purpose of the project is to increase coal production step by step from 10,000 tons/year to 1,660,000 tons/year by 1989.

The project is financed with funds provided by the mining company and from the government as well as credits from local and foreign fund sources.

The Ombilin I project is concentrated on the rehabilitation of the coal mine with a capacity of 750,000 tons/year expected to be reached by the end of 1985.

The Ombilin II project is focused on the development of an underground coal mine in Waringin. The exploration of coal deposits in Waringin will be undertaken by the Northwest consultant, financed with World Bank's loans and funds from the Mining and Energy Ministry.

The Ombilin III projects will cover the exploration of coal deposits in Sigalut and Sugar. Mine feasibility study for the project is expected to take five years. If needed, it can be followed by feasibility studies for agglomeration and cooking.

For the financing of the Ombilin III project, Charbonnages de France International (CDF) offered assistance to Perum Tambang Batubara (Coal Mine Public Corporation) in December 1984.

The sale of coal from Ombilin continued to go up in the 1982/84 period. Coal exports from Ombilin in 1984 were the highest compared with those in the previous year.

Ombilin coal production, coal consumption by the Ombilin coal mining company and coal sale from Ombilin from 1982 to March 1985 are as listed below: (in tons).

CSO: 4200/1052

Y E A R	PRODUCTION	COMPANY'S COAL CONSUMPTION	S A L E		
			LOCAL	EXPORT	TOTAL
1982	302,572	302,572	141,839	103,885	246,724
1983	325,662	20,640	153,435	143,255	296,690
1984	583,580	20,817	183,336	401,521	584,784
1985 :					
January	56,851	1,858	9,773	13,615	23,388
February	56,032	1,840	24,681	40,938	65,619
March	58,872	1,948	18,602	33,061	51,663

INDONESIA

**PALM OIL EXPORTS TO BE INCREASED**

Jakarta ANTARA NEWS BULLETIN in English 29 May 85 p A2

[Text]

Jakarta, May 29 (ANTARA).-- The government plans to increase palmoil export in view of Malaysia's intention to change its business orientation to become finished goods exporters.

This was disclosed by Trade Minister Rachmat Saleh in a hearing with the State Budget and Revenues Commission of the House here, Tuesday. Malaysia is a noted palmoil producer in the world.

He said that Indonesia will allocate around 120,000 tons of palmoil for export this year. The figure will be stepped up in line with the increase of palmoil production at home.

Palmoil allocation for domestic consumption has been increasing since 1979 namely from 213,344 tons rose to Rp.340,870 tons in 1980, 571,600 tons in 1981 to 650,801 tons in 1983 and 746,600 tons in 1984.

On rubber, Rachmat Saleh said that the price of this commodity at international market is stable.

CSO: 4200/1051



INDONESIA

INCREASE IN FERTILIZER SUBSIDIES

Jakarta BUSINESS NEWS in English 22 May 85 p 10

[Text]

The amount of subsidies given by the government to fertilizer is estimated at Rp 731.6 billion in 1984/85, exceeding the projection of Rp 458.7 billion.

The bigger fertilizer subsidies results from :

- the increase in the volume of fertilizer given subsidies to 4,489,230 tons from 3,763,500 tons previously projected in the State Budget;
- the increase in the price of natural gas as a basic material of fertilizer to US\$ 1.00/MMBTU from US\$ 0.65/MMBTU projected in the State Budget;
- subsidies given to fertilizer in 1984/85 also cover the payment of claims in the previous year;
- the increase of distribution cost by an average 10% that raises the price calculation, while the retail price of fertilizer remains unchanged at Rp 100/kg.

CSO: 4200/1052

INDONESIA

# HUGE COAL DEPOSIT DISCOVERED IN ACEH

Jakarta ANTARA NEWS BULLETIN in English 29 May 85 p A1

[Text]

Bandung, May 28 (ANTARA).-- Over a half billion ton of coal deposit has discovered recently at Meulaboh, West Aceh by a team of researchers of the directorate general of geology and mineral resources of the Department of Mines and Energy.

The discovery has a significant mean to the national economic development, said two of the researchers Hadiyanto and Dedy Amarullah in three-day meeting the Bandung mineral resources directorate, recently.

The coal exploration was conducted at Kawai subdistrict, West Aceh regency covering 224 km of land.

The first exploration was made on 12 wells at a depth of 2,140 m each, and the miners found an estimated 510 million ton of coal deposit.

The directorate is continuing to explore other mineral resources in various parts of Indonesia.

A similar coal research was conducted at Rokan subdistrict, Riau, to check the quantity of coal deposit which had been exploited during the Japanese occupation time.

CSO: 4200/1051

INDONESIA

BRIEFS

ISUZU ENGINE PLANT OPENED--Minister of Industry Ir. Hartarto opened a new automotive engine plant in Tangerang recently. The plant, belonging to PT Mesin Isuzu Indonesia, produces Isuzu automotive engines. The sales and marketing director of PT Mesin Isuzu Indonesia, Drs. Laupase M, said on the occasion that the implementation of the Presidential Instruction (Inpres) No. 4/1985 could reduce the cost of port services from Rp 30,000 per unit to Rp 24,000 per unit. But the payment of import duty and value added tax for each unit of products (completely knocked down) is bigger than that before the collection of value added tax and the change in the rate of import duty. The new plant is located in Tangerang, west of here. Minister of Manpower Sudomo, Director General for Base Metal and Machinery Industries Ir. Eman Yogasara, Probosutedjo and F. Eman were present in the inaugural ceremony. The government has determined five groups in the automotive engine industry and the new plant operated by PT Mesin Isuzu Indonesia belongs to the second group. [Text] [Jakarta BUSINESS NEWS in English 15 May 85 p 9]

CSO: 4200/1012

**MALAYSIA**

**OPPOSITION DAP SUPPORT SABAH CHIEF MINISTER**

BK140707 Kuala Belait THE BORNEO BULLETIN in English 1 Jun 85 p 3

[Text] "It's good to be back--it is my own country," said Democratic Action Party [DAP] Secretary-General Lim Kit Siang, grinning broadly, in Kota Kinabalu last Saturday [25 May].

It was an emotional moment for the DAP leader who was making his first visit to the state since new Chief Minister Datuk Joseph Pairin Kitingan lifted a seven-year ban imposed by his predecessor Datuk Karris Salleh.

Mr Lim spoke the words to Datuk Pairin in a 10-minute courtesy call at the chief minister's office in the Sabah Foundation building shortly after his arrival.

"In the interests of democracy, we can assure you our fullest support," he also told Datuk Pairin during his call, accompanied by deputy secretary-general Mr P Patto and DAP's Sandakan MP Fung Ket Wing.

It was a completely different meeting from his last with a Sabah chief minister--a stormy confrontation that resulted in his ban.

Mr Lim could have been excused for a feeling of uncertainty as he landed at Sabah International Airport from Kuala Lumpur early on Saturday morning.

His last two attempted visits had not got beyond the immigration desk.

The first was in 1978 during a general election when he was forcibly put back on the aircraft in a wheelchair.

The second was just last year when he was again forcibly returned to a plane to Kuala Lumpur, spending less than an hour on the ground.

On that occasion he angrily kicked aside a wheelchair and was led back to the plane in an armlock applied by an immigration official.

Mr Lim said he was last in Sabah in February 1978 when he was banned by Datuk Harris after raising issues of press freedom, democracy, refugees and corruption.

"Had Datuk Harris taken note of my words, probably Berjaya and Harris Salleh would not have landed up the way they did," he said.

His visit last year was linked to DAP's confrontation with Datuk Harris over his ownership of land on Labuan.

DAP claimed the Berjaya leader personally owned 70 percent of Labuan land. Datuk Harris said he owned less than 2 percent and challenged DAP to repeat the allegations, outside the house, in Sandakan.

Mr Lim announced he would be at the debate but make it only as far as the airport. The debate had been called off earlier by Datuk Harris.

Mr Lim said he would be visiting Labuan, Sandakan and Tawau on his five-day visit to get a deeper understanding of Sabah's political situation.

"DAP will continue to have an important role in Sabah. We have contributed to a democratic and responsible system of government," he said.

He called on the United Sabah National Organisation to withdraw its writ challenging Datuk Pairin's appointment and demanded a commission of inquiry into the previous government.

Although he pledged full support for the ruling Parti Bersatu Sabah in major issues, he indicated that Datuk Pairin, like his predecessor, would not be immune to criticism.

"We will not flinch from criticism because, in the final analysis, it is good for the government," he said.

Mr Lim, MP for Kota Malacca, was a reporter with the NEW STRAITS TIMES in Singapore in the early 1960's.

From May 1969 to October 1970 he was detained under the Internal Security Act.

CSO: 4200/1089



MALAYSIA

ITALIAN-BUILT MINESWEEPERS READY

Penang THE STAR in English 19 May 85 p 9

[Text]

PETALING JAYA, Sat. — Two of four Navy minesweepers which were trapped in an Italian shipyard because of a low bridge have undergone sea trials and are ready for delivery.

But the two ships would not leave for Malaysia immediately because the Royal Malaysian Navy wants to take delivery of all four vessels together, RMN sources said.

The sources added that the two other ships are undergoing sea trials so that the project engineers could make the necessary adjustments.

The ships will be tested on their sea-worthiness, speed and handling and stability.

It has been reported that the delivery of the four minesweepers has been delayed again. The Navy is now expecting the craft to

arrive in Malaysia next month.

Deputy Defence Minister Datuk Abang Abu Bakar was also reported as saying that the ships would only arrive by the end of this year.

The minesweepers were originally scheduled to be delivered 36 months after the contract was signed in 1980.

But because the vessels were trapped in the shipyard in Sarzana by a low bridge, they were unable to leave to sea for their trials earlier and could not meet the January 1984 delivery date.

Sources said the centre span of the bridge was dismantled three months ago to "free" the ships.

"The two ships that are ready for delivery had to undergo over 200 sea trials to perfect their workings and manoeuvrability."

CSO: 4200/1077

MALAYSIA

WORLD TIMBER ACCORD RATIFIED

Kuala Lumpur BUSINESS TIMES in English 20 May 85 pp 1, 24

[Article by Hardev Kaur]

[Text]

MALAYSIA, one of the world's largest producers of tropical timber, has, after initial hesitation, ratified the International Tropical Timber Agreement (ITTA). It came into provisional force on Apr. 1 this year.

For the ITTA to come into provisional force, it requires the signatures of 10 producers holding at least 50 per cent of producer votes and 14 consumers with a minimum 65 per cent of consumer votes.

For the agreement to come into definitive force, it requires the signatures of 12 producer members with 55 per cent of the votes and 16 consumers with 70 per cent of the votes. Consumers and producers hold 1,000 votes each as a group.

As at Mar. 31, the deadline for ratification of the agreement, 12 producer and 15 consumer members had submitted their documents to the UN headquarters in New York.

Producers which have ratified the agreement are Congo, Brazil, Ecuador, Gabon, Ghana, Honduras, Indonesia, Ivory Coast, Liberia, Malaysia, Peru and the Philippines. Together, they account for a total of 588 of the 1,000 producer votes. Malaysia has been allotted 126 votes.

The consumers are Egypt, Belgium/Luxembourg, Denmark, France, West Germany, Greece, Ireland, Italy, Japan, the Netherlands, United Kingdom/Northern Ireland, Finland, Japan, Norway and Sweden. Together, they account for a total of 650 consumer votes.

The agreement, concluded in Geneva under the auspices of the United Nations Conference on Trade and Development (Unctad), is aimed at "encouraging the development of national policies aimed at sustainable utilisation and conservation of tropical forests and their genetic re-

sources, and at maintaining the ecological balance in the regions concerned."

The pact, worked out in just five negotiating weeks, is aimed at providing a framework for cooperation in all aspects of the trade between producers and consumers of tropical timber.

It also aims to develop a better marketing information as well as to increase and improve forest rehabilitation and boost earnings of producers by increasing the processing facilities.

Unlike other commodity agreements, the accord does not incorporate price stabilisation measures but is designed to secure supplies of timber which are being depleted. It has been estimated that some 11 million hectares of tropical forests are destroyed each year.

Details of the pact were worked out and spelled out in 43 articles by national delegations of foresters, trade officials and diplomats in November 1983.

Tropical forests occupy about 40 per cent or 1,160 million hectares of forest land. They hold more than half the world's genetic resources and are important in terms of raw materials, food and medicine.

Malaysia and Indonesia account for 65 per cent of total world exports. Total timber trade is estimated at about US\$7 billion each year.

Malaysia's commitment to the ITTA's administration is estimated to range between \$217,000 and \$420,000 a year. The actual cost, however, will depend on the number of professionals employed by the organisation.

The headquarters for the ITTA has not been decided on yet. Officials of participating countries are scheduled to meet in Geneva from June 17 to 28 to consider the matter.

The leading importer of timber, Japan, which buys about US\$2.5 billion worth every year, is said to be keen to be the site for the International Timber Organisation, which will administer the pact.

CSO: 4200/1077

MALAYSIA

MALAYSIA'S TIN MINES FACE GLOOMY FUTURE

Bangkok THE NATION REVIEW in English 24 May 85 p 27

[Text]

KUALA LUMPUR — "Work starts here very late nowadays," said Tai Choon, pointing to the barren black mountains and rain-filled pools of the Chim Lee tin mine near Kuala Lumpur.

"It wasn't always so quiet," sighed the 65-year-old miner who has watched Malaysia's once thriving tin industry whither in the harsh economic climate of the 1980s.

Malaysia is still the world's biggest producer of tin but flagging Western demand and a switch to tin substitutes like aluminium have taken a heavy toll on the livelihood of workers like Tai.

"The industry is really depressed and miners are suffering because of the poor demand," said Ng Beh Tong, vice-president of the All Malay Chinese Mining Association.

Only 400 of the 1,000 gravel pump mines which dotted the west coast of the Malaysian Peninsula in the 1960s and 1970s are still working, according to official figures.

Between 1981 and 1983 the industry lost 10,000 jobs, more than a quarter of the workforce. Last year exports tumbled 20 per cent to 42,000 tonnes, the lowest since 1947.

Earnings took a dive, forcing the country to rely on revenue from petroleum, rubber and palm oil exports.

Adding to the problems, the International Tin Council, which groups major tin producers and consumers, introduced export controls in an attempt to stabilize prices in 1983.

"The production cutback is a terrible constraint on mining but it is necessary," Mokhty Mahmood, president of the States of Malaya Chamber of Mines, said this month.

He estimated the world tin surplus at 70,000 tonnes this year and he called for greater research into uses for the metal.

Malaysia's main buyers, Japan, the United States and Britain, use tin mainly in tin-plating and to make pewter and alloys such as bronze.

Tin ore, which resembles a fine black sand, is found in abundance along a line running from south-west Thailand through west Malaysia and into Indonesia.

The deposits can be panned from rivers like gold, dredged by giant mechanical shovels, blasted from the ground by high-pressure water jets or sucked from the seabed by vacuum pumps aboard ships.

The discovery of tin ore by a Malay chieftain in 1848 changed the Malaysian landscape both geographically and racially.

Tin spawned huge self-sufficient communities which grew into towns like the capital, Kuala Lumpur.

Thousands of labourers from China were brought in to mine and smelt the ore starting a wave of immigration which lasted until the Second World War. Chinese now make up 38 per cent of the population.

The descendants of these pioneers still make a living amid the black mountains of tailings and rain-filled pools of the mines which transform the jungle into a desolate moonscape.

The lucky ones like Tai enjoy free housing and electricity. They even have cinemas to stave off the boredom of rural isolation.

But many have been forced to hunt for jobs in the towns, breaking up the once tightly-knit, prosperous communities.

Those who remain hope an upturn in the industry will stop the decay.

"We still hope for something better," said Yap Woon Kai, a 49-year-old mine hand.

But with a huge world surplus, greater use of tin substitutes and even the prospect of plastic cans for soft drinks "something better" could be a long time coming. — Reuter

CSO: 4200/1077



MALAYSIA

BAHASA SOLE OFFICIAL LANGUAGE IN SARAWAK BY JULY

Kuala Lumpur NEW STRAITS TIMES in English 18 May 85 p 8

[Article by James Ritchie]

[Text]

BAHASA Malaysia will be the sole official language in Sarawak when the deadline for the use of both Bahasa Malaysia and English expires in June.

"We have decided not to extend the period where another language will also be the official language. This will once and for all show that we have not been trying to avoid establishing Bahasa Malaysia as the official language," said Chief Minister Datuk Patinggi Haji Abdul Taib Mahmud during the winding up speech on the debate on the motion of thanks to the Yang di-Pertua Negeri's address.

He appealed to State Assemblymen not to be alarmed at the "speed" of implementation of Bahasa Malaysia as the sole official language of Sarawak.

Datuk Taib also hailed the new Yang di-Pertua Negeri as being the per-

fect choice as Sarawak's Head of State as he was, not only a dignified person but had been accepted as the "advisor of the rakyat."

Datuk Patinggi Ahmad's appointment will go down in history as it tells the story of a simple man who had fought all his life for the rakyat.

Citing an example of his quality, Datuk Taib said that as soon as Datuk Patinggi Ahmad returned from Edinburgh (Scotland) as the first Bumiputera masters of arts graduate (and first Bumiputera graduate) in Sarawak, he went to the rural folk to draw their attention to the need for nationalism.

"Datuk Patinggi Ahmad has been a staunch believer in politics for the rakyat. Infact we are fortunate to have a Head of State who has the people's welfare close at heart," Datuk Taib said.

CSO: 4200/1077

NEW CALEDONIA

SEPARATIST MOVEMENT ACTIVITIES RELATED

Algiers REVOLUTION AFRICAINE in French 2-8 May 85, pp 46-48

[Interview with J. M. Tjibaou, president of the Kanaky provisional government, by M. Larab; date and place not specified]

[Text] In September 1979, the anniversary of the acquisition of New Caledonia and following the adoption of the Lemoine statute, the Separatist Front, created in 1979, broke apart, giving birth to the Kanak Socialist National Liberation Front. The creation of this front did not come about by chance. It permanently rejected participation in colonial institutions and constituted an important stage in the struggle carried on by the Kanak people for more than 40 years. The struggle found concrete expression in several actions which induced the French government to enter into negotiations. In a recent interview, Jean Marie Tjibaou, president of the Kanaky provisional government, retraced the long struggle of the Kanak people, its extent, and the hopes of an entire population convinced that one day they will achieve independence. The path remains strewn with difficulties, and as the president of the FLNKS put it so well, "The western colonialists remain colonialists. Whether of the left or of the right, they remain faithful to the colonial tradition."

[Question] Two years ago, you stated in the columns of REVOLUTION AFRICAINE that the separatist movement would proclaim independence at the end of 1984. Would you retrace the way things have gone since then?

[Answer] In the discussions we have had with the French government, we have said that as far as we are concerned, the constitution proposed for the last elections of 1984 should no longer be considered in the context of the various regulations that the

government has established to administer the territory, which from our point of view represent renewals of the unfortunate acquisition of 1853. This act of seizure is repeated with each election of the French national assembly. We have said many times that we have no desire to continue to endorse that policy. As a result, we will make proposals which allow for a transition period preparing explicitly for independence. These draft regulations must be seen from another perspective.

We follow the logic of decolonialization whereas the other draft is directly linked with colonial acquisition. We formulated our proposals in July 1984. The regulations were put before the national assembly after we had sought the opinion of the majority of the separatist front members. It went to the assembly committee which deemed it unacceptable. On the contrary, the committee made out a report to have the government's draft, which we call the Lemoine regulations, accepted and they are now the regulations governing the territory.

From that point on, we sent several delegates, one of whom was Eloi Machoro, to submit counterproposals to the assembly in an attempt to introduce some amendments which would undoubtedly have enabled us to take part in the elections. The vote was broadcast directly over radio and television in Noumea, and all our proposals were rejected. At that point, we decided not to vote on the regulations.

On 24 September, which is the anniversary of the taking of our territory, we decided to form a provisional government. So we created the FLNKS (Kanak Socialist National Liberation Front), adopted its charter, and established all the necessary machinery. During the months of October, November and December, we took a series of concrete measures to boycott the elections. In the event that the government failed to make a definite decision to dissolve this assembly, we planned a series of destabilizing actions which would create an acute economic crisis in order to force the foreigners to leave the island, and which would obstruct the work of the ministers nominated in the new regulations. For the next 3 months we planned to undertake more serious actions which would destroy the Lemoine regulations for good. All these steps are recorded in the FLNKS's agenda. On 1 December, we proclaimed the formation of the provisional government. This was a very difficult step, since the boycott of the elections had the effect of strengthening France's military potential. The CRS [state security police] and the mobile guardsmen did not hesitate to use force to break up the movement and also made mass arrests. This did not prevent us from pursuing our course of action and setting up several barricades. Today, we have 6,000 paratroopers and CRS for a population of 60,000 people. It was the same in Algeria where French colonialism deployed 1 million troops for a population of 10 million inhabitants.

The program spread over 6 months was condensed into a greatly reduced period of time because of the onset of the infernal cycle of violence. Many innocent victims died as a result of the collusion of the colonialists with the military which acted with complete impunity. Faced with this situation, we took several people hostage, including a subprefect, to force France to release the prisoners and enter into negotiations with us for a new kind of regulations which would lead to self-determination. The French government made up its mind quickly, sending Pisani to New Caledonia and releasing a certain number of prisoners. We, for our part, agreed to remove the barricades on the understanding that the dissolution of the Lemoine regulations would form part of the discussions on self-determination. The French government's agreement reached us on 2 December, whereas we had proclaimed the government the day before. Beginning from that point, proceedings on the plan which the government has just proposed were set in motion."

[Question] The FLNKS accepted, then rejected, then accepted the Pisani plan. What exactly is your opinion on the matter?

[Answer] France does not want to abandon strategic military and even economic positions for the future. For the time being, the economic aspect is not yet important, but it must be remembered that Singapore, for example, is becoming the world's third financial location, that Japan and South Korea will be the markets of the next century, without taking into consideration the fact that this ocean is not being exploited at present. Nodules, underwater research, fish etc., are assets in the second millennium. With the importance that some countries are acquiring, strategic locations are evolving rapidly.

[Question] Do you think that the United States put pressure on France?

[Answer] We heard rumors of it in the press, and I would say that it was obvious.

[Question] How do you explain Australia's position?

[Answer] Australia occupies a regional position because of the existence of several small islands such as Tonga and Samoa, and also Melanesian countries such as Vanuatu, the Solomon Islands, Papua, and New Guinea which are more or less under Australian tutelage even though it does not control them completely. Finally, there is Fiji which has oil exploration contracts with American companies. In exchange for credit, the United States has received authorization to establish a military base to break up the Pacific countries somewhat. This gives you an idea of the strategic importance of New Caledonia in the region. This also explains the attitude of the French military who do not want to loose part of our territory.



Western colonialists remain colonialists. Whether of the left or of the right, they remain loyal to the colonial tradition. When they have established themselves somewhere, it is hard to dislodge them.

[Question] What about the Pisani plan?

[Answer] The French government's proposal no longer fits the perspective of acquisition but constitutes part of the process which should lead the country to independence 2 years from now at the latest. We are accepting the plan because we do not have a lot of weapons to make war with, nor enough dynamite to blow everything up. As far as the regional divisions are concerned, we are certain of winning at least two regions and 50 percent of the third, and the other (Noumea) remains to be conquered. We will establish ourselves in the regions won and bit by bit, thanks to the economic networks that we will have developed, we will succeed in winning greater control over the situation. Another important point is that in Noumea any plan must necessarily meet with our approval.

When we formed a provisional government on 1 December, we put a brake on some inquiries, because although they were a good thing on the diplomatic level and brought us a certain amount of international standing, on the other hand they hindered any discussion with France. Instead of finding ourselves prisoners, we chose to fight for a radio station and a newspaper so as to have the means to break the local RPR [expansion unknown] networks which make it impossible for those who are not opposed to our cause to speak out. In Noumea, there are Europeans, mestizos, and Asians who favor our struggle but cannot speak out because of the employment problem. That has been one of the steps we have taken with French unions and groups. Moreover, I take this opportunity to make an appeal to Africans through your newspaper to help us and to participate in the establishment of our radio station and newspaper.

We accepted the proposals of the French government because we are aware of our potential. Our first goal is to dissolve the national assembly. All our present steps correspond to our agenda. We have committed ourselves until 1987 to reduce the intervening period to a minimum because we think that we have a certain amount of pull in the country. We said that we accepted the referendum but between now and the end of the year or the beginning of the first quarter of 1986, things will have changed, thanks to the work of mobilization that we will have carried on. We think that we will manage to move up the 1987 date, but all the same we have been disappointed because the Socialists whom we have supported have postponed the law they have just voted on to another majority. But we voted for Mitterrand, and have been doing so for nothing for a long time.



[Question] The assassination of Eloi Machoro has been a black mark to this day. Could you shed more light on this affair?

[Answer] The Europeans bought weapons as soon as they heard talk of independence. They do not want the country to gain independence. Machoro was assassinated during one of the operations. It is certain that Pisani gave instructions to use neutralizing fire. The Caldoches shot to kill. The file on this affair is still open but we can say with certainty that Eloi Machoro's rifle was in its shoulder strap.

[Question] Finally, could you tell us the purpose of your visit to Algeria?

[Answer] Algeria has wide experience in the areas of agriculture, education, and professional training. We would like to follow your country's example by proceeding to exchanges that would certainly be beneficial for us, particularly in the training and information sectors which are priorities for us.

[Question] A final comment?

[Answer] We are working to shorten the period before the referendum and we believe that diplomatic action will make a contribution to this goal. All countries are now free to act after the announcement made by the French government. Supporting us with authorities such as NATO, the OAU, and the nonaligned movement will help to strengthen our positions further.

9824

CSO: 4219/58

NEW CALEDONIA

SEVEN KANAKS QUIT ASSEMBLY

Kuala Lumpur NEW STRAITS TIMES in English 10 May 85 p 12

[Text]

NOUMEA, Thurs. — Seven Kanak representatives in New Caledonia's territorial Assembly said today they were resigning in protest over yesterday's violence in which a Kanak youth was killed and more than 70 people were injured.

The departure of the seven, all pro-independence, leaves the French Pacific territory's Assembly in the hands of the anti-independence RPCR, dominated by white settlers.

Police reported an uneasy calm in the capital today following clashes between security forces and settlers.

The clashes were the worst in the territory since Kanak militants began campaigning for independence from France last November. Security sources said the victims included four policemen shot while trying to protect fleeing Kanaks.

Nidoish Naissertine, leader of the pro-independence Kanak Socialist Liberation (LKS), told reporters after walking out of the Assembly that the RPCR was responsible for the death of 20-year-old Celestin Zongo. He called for its dissolution.

The RPCR which won 34 seats in territorial elections last November, said yesterday "loyalist" had intervened to break up what it called a provocative rally by a group of Kanaks.

CSO: 4200/1075

TRADE MINISTER ADVISES CONSIDERATION OF BARTER

Wellington THE EVENING POST in English 1 May 85 p 22

[Text]

Trade opportunities would be thrown away if exporters ignored bartering deals, the Minister of Overseas Trade and Marketing, Mr Moore said yesterday.

Some traders in the Middle East, China, South and Central American countries were much more prepared to buy if New Zealanders were willing to enter into such arrangements, he said.

"We cannot just turn away from such markets as too hard," he told exporters at a countertrade seminar in Wellington.

"We must learn to trade the way they want — provided always that there is enough profit or potential profit to pay for the additional hassle and to make the business worthwhile."

Countertrading is a barter system in which goods are exchanged instead of money.

## Vain hope

Mr Moore said a lot of people had hoped that countertrade was a passing phase and they would not need to come to grips with the system.

"However, the likelihood seems to be that countertrade will be with us for some time. As a country which lives by trade we certainly cannot ignore it."

Estimates of the amount of countertrade ranged as high as a quarter or a third of world trade. A recent study by members of the General Agreement on Trade and Tariffs came up with a figure of eight percent maximum while an Organisation for Economic Co-operation and Development study concluded the figure should be 4.5 percent.

Whatever figures were considered, it was still a considerable amount of trade in monetary terms, he said.

It represented some big opportunities for New Zealand exporters and opportunities which the country could not afford to miss out on.

CSO: 4200/1050

NEW ZEALAND

JAPAN, ROK TO CONTINUE FOREST PRODUCTS IMPORT

Wellington THE DOMINION in English 2 May 85 p 15

[Article by David Porter]

[Text]

BOTH Japan and South Korea had clearly indicated a desire to continue importing forest products from New Zealand despite the supply problems which would prevent any major surge in exports until the 1990s, Forests Minister Koro Wetere said in Seoul yesterday.

He was speaking after talking to industry and government officials in both countries at the mid point in a three week familiarisation tour which will also include China.

"They appreciate our problems," Mr Wetere said.

New Zealand's major new forestry production was not expected to come on stream until the end of the decade.

A trade official in Tokyo said 1984 calendar year exports of forest products to Japan had fallen on the previous year.

But he said that while it was of some concern that last year for the first time Chile had a larger share than New Zealand of a fitches (squared rough timber) and log market which had expanded slightly, it could be said the South Americans' exports were helpful to New Zealand.

New Zealand had a better market in Australia at the moment and at prices Japanese importers did not want to match, the official said.

And imports of pinus radiata from Chile meant Japanese sawmillers had no need to shift their production techniques as could be the case if they were forced to turn to other types of wood.

Over 50 per cent of forest product exports to Japan from New Zealand were of logs and fitches, used in the packaging industry, and chips for pulp making, the official said.

But during his stay in Japan last week, Mr Wetere visited a factory in Kochi, on the southern island of Shikoku, which was producing high quality furniture from pinus radiata.

"It's a tremendous breakthrough," he said.

New Zealand exporters have been trying for years to convince Japanese importers that pine is a wood capable of a greater variety of uses than just packaging.

The factory was using a mixture of Chilean and New Zealand pine bought from local saw millers servicing the packaging

trade, the trade official said.

"It's extremely high quality furniture, produced using computer controlled equipment. And one of the lessons there is that the quality of timber we send up has to be good."

Exports of forest products to Japan from New Zealand in the June year 1984 totalled \$NZ154.4 million, up from \$144.8 million the previous year.

But the calendar year totals were down in most sectors on the 12 months to December 1983, the trade official said.

New Zealand exported 495,000 cubic metres of logs, flitches and other timber in 1984, compared with 595,000 cubic metres in 1983 (calendar year).

Exports of chips were up slightly at 311,000 tonnes, compared with 255,000 tonnes in 1983 (calendar year).

Thermomechanical pulp exports were 213,000 tonnes, compared with 224,000 tonnes in 1983 (calendar year).

Other items such as paper and paperboard were relatively insignificant in total exports, the trade official said.

Total forest product exports to South Korea in the June year 1984 were \$22.4 million, compared with \$17.4 million in the previous 12 months.

The bulk of the exports were of pulp (\$12.3 million), followed by logs (\$8 million).

Mr Wetere is scheduled to leave Seoul today for China where he will spend eight days.

NEW ZEALAND

EDITORIAL AGREES WITH REPORT ON NUCLEAR WAR EFFECTS

Auckland THE NEW ZEALAND HERALD in English 1 May 85 p 6

[Editorial: "If Apocalypse Arrives"]

[Text]

No one doubts that a nuclear war would be catastrophic for the combatant states. No one doubts that a major nuclear conflict between East and West would affect all humanity in greater or lesser degrees. Where opinions differ is on the nature and intensity of the apocalypse in any particular place at any particular time.

As calculations of this kind depend on an infinite number of variables, they are impossible to reckon. The language becomes one of broad generalities and balance of probabilities. With the best will in the world, the scientist, too, will perforce be imprecise. So it is for New Zealand.

Three years ago the now disbanded Commission for the Future said in a report entitled *Nuclear Disaster* that New Zealand would avoid the worst consequences of a major nuclear war in the Northern Hemisphere and survive. The major impact would be on the economy, because four-fifths of the nation's trading links would be destroyed, and living standards would be reduced.

Since then the "nuclear-winter" theory has evolved. It holds that a nuclear war would raise an enormous pall of smoke and dust that would cover and darken the earth, lowering temperatures for years. Once it was

thought that the long-term effects on the Southern Hemisphere of a nuclear war confined to the Northern Hemisphere would be slight. Recent research, however, suggests that the Southern Hemisphere would not enjoy such immunity.

The august Royal Society of New Zealand takes account of the nuclear-winter theory in its report *The Threat of a Nuclear War: A New Zealand Perspective*. As an up-to-date, dispassionate and authoritative survey of its subject, it is the best New Zealanders have seen, although some of it is a restatement of the obvious.

Even if the climate were not affected by a nuclear war in the Northern Hemisphere, it suggests, life in New Zealand would still become wretched — a return to a mixed self-sufficient, pioneer economy, unable to export produce to the Northern Hemisphere and to import many commodities.

While striving to remain politically neutral, the authors of the report have penetrated the political arena — possibly further than the society has ever before — in an effort to keep the public well and reliably informed, and to encourage examination of some accepted dogma. That they have considered it necessary to do so is as sobering as their conclusions.



NEW ZEALAND

GOVERNMENT PLANS TO BORROW FROM EUROPE

Auckland THE NEW ZEALAND HERALD in English 1 May 85 p 9

[Text]

Wellington

**The Government plans to raise \$318 million in the European currency unit market.**

The Minister of Finance, Mr Douglas, said yesterday the loan marked a change in the focus of New Zealand's overseas borrowing.

Mr Douglas said the relatively small size of the loan, compared with the many raised by New Zealand in recent years, was a reflection of the Government's determination not to borrow overseas to finance a balance-of-payments deficit.

"With a floating exchange rate, the Government should not be forced to further increase the level of overseas debt," he said.

Instead, overseas borrowing would be centred on refinancing existing debt to reduce the cost of servicing the loans.

This refinancing would require regular borrowing

of the kind planned on the European currency unit (ECU) market, to cover loans which were maturing or to refinance less favourable loans on better terms.

Mr Douglas said the loan was New Zealand's first to be denominated in the ECU. The decision to borrow on this market was based on its emergence as a stable and versatile form of funding.

A significant proportion of the Government's overseas debt was in various European currencies, and ECUs would provide a sound basis for refinancing this debt as necessary, he said.

ECUs are a composite denomination made up from a basket of European Economic Community currencies, and increasingly used for inter-government and multinational corporate borrowing in Europe.

The \$318 million loan sought by New Zealand will be about 200 million ECUs.

CSO: 4200/1050

# WELLINGTON, CANBERRA PLAN CER REVIEW

Wellington THE EVENING POST in English 1 May 85 p 4

[Text]

New Zealand and Australian government ministers will meet in Canberra in August to review the working of the closer economic relations agreement.

The meeting would begin preparation for the 1988 general review of CER and identify areas where the relationship might be widened within the agreement, the Minister of Overseas Trade, Mr Moore, said in a statement.

Final decisions on which ministers will attend have yet to be made.

"It is important that possibilities are explored so that we can set an agenda and objectives for the 1988 review," Mr Moore said.

## First

It will be the first formal meeting held under a provision of the agreement since CER came into effect in January, 1983, and follows a meeting earlier this year between Mr Moore and the Australian Minister for Trade, Mr Dawkins.

In the meantime, the impetus of the development of the relationship should be maintained, Mr Dawkins said in Canberra

yesterday.

A number of matters were already identified in the agreement for consideration, he said.

The August meeting would determine whether any of the matters should be taken up before the general review.

## Smooth

Implementation of the various provisions had proceeded smoothly, and the agreement appeared to be serving its purpose through the expansion of trade between the two countries, he said.

Mr Dawkins said he was pleased at the considerable interest being shown by sectors of the Australian business community, including rural interests, in working closely with the Government on the consolidation and further development of the CER.

In this context, he had recently endorsed an approach from the Australia-New Zealand Businessmen's Council and the Confederation of Australian Industry, who wanted to set up regular consultations with the office of New Zealand relations within the Trade Department.

NEW ZEALAND

RIVAL PARTY SUSPENDS ECONOMIC POLICY, CITES LABOR CONGRUITY

Auckland THE NEW ZEALAND HERALD in English 1 May 85 p 3

[Text]

The New Zealand Party has suspended development of its economic policy for the foreseeable future, saying the Labour Government is carrying out the party's principles to the letter.

The party's ruling council has asked the chairman of its economic policy committee, the former dean of economics at Victoria University, Professor Les Castle, to make no formal policy submissions in the lead-up to its annual conference in August.

The reason, according to the party's first 1985 newsletter distributed yesterday, is that "the major structural reforms we sought have been carried out."

"We must now allow things to settle before framing a constructive economic policy for the next election," it says.

**TAXATION**

The incomplete form of some of Labour's current proposals, notably the goods and services tax, is cited as a further reason.

New Zealand Party leaders expect economic debate at the conference in Auckland this year to focus on taxation issues rather than on principles of non-intervention in the marketplace.

The newsletter promises a resumption of activity by the party following

a long hibernation after its lacklustre post-election conference last year.

The party president, Mr Malcolm McDonald, attributes the lull to members "picking up lives and careers again" after the snap election campaign, to the new Government's honeymoon and to the New Zealand Party's election debt.

He reveals that debt to have been \$850,000 and says all but \$5000 of it has been "wiped."

**GIVEN HEART**

Enthusiasm is returning, Mr McDonald says in the newsletter, partly because of "the total adoption of the New Zealand Party's economic policy and structural reforms, firstly by the Treasury and the Reserve Bank and then its application by the new Government."

"The adoption of many of our seemingly radical policies has given great heart to members who realise just how important a role we have played in the scheme of things," Mr McDonald says.

"A further reason for the sudden surge in enthusiasm is the abjectly woeful state of the National Opposition.

"We formed because of their abnegation of their underlying philosophy. Nothing has changed. Indeed, the position has worsened."

Some New Zealand Party members, he admits, viewed the party as a temporary phenomenon. "I doubt if they do any longer."

#### 'WELFARISM'

"Our economic policies have been given credibility by events. Our social policies will now attract greater attention."

The newsletter indicates that the party will concentrate this year on education issues and "welfarism."

It reports that the party leader, Mr Bob Jones, will undertake a new series of public meetings later this year and warns members that a byelection this year is highly likely.

CSO: 4200/1050

NEW ZEALAND

## TRADE UNION HEAD CRITICIZES GOVERNMENT POLICY

Wellington THE EVENING POST in English 7 May 85 pp 1, 3

[Text]

The Labour Government's economic strategy cut away the security of the domestic economy as a source of employment and incomes, with working people having to share disproportionately in the burden, said the president of the Federation of Labour, Mr Jim Knox, today.

He was presenting his president's report to delegates at the FoL annual conference in Wellington.

"The pace of the deficit reduction's too fast and increasingly this country is being locked into the dictates of the external economy," he said.

He said the "almost evangelical zeal" with which the Minister of Finance, Mr Douglas, was conducting his portfolio had tended to mask very real uncertainties that could accompany the experiment with market forces.

Mr Knox predicted that rather than enhancing employment, the outcome was more likely to be, in the New Zealand context at least, business failure and rising unemployment.

"The policies that have

been put in place to tackle the structural component in unemployment are not likely to succeed, and I believe that we will return to relatively high unemployment levels by 1986."

## Reply

Before beginning his report, Mr Knox announced he would be responding to indications by the Prime Minister, Mr Lange, that wage increases in this year's round would be under 10 percent.

He said he had drafted a reply to that and the draft would be presented to the national executive.

As he began reading his report it became clear that much of it was a warning to the Labour Government to stick to an agreement achieved with the union movement before the election on how the economy should be handled.

He said nine years of a National Government had been years of discordant and anti-worker rule. The election offered voters an opportunity to turn away from National's approach to economic management.

"The Labour Party went into the election last year pledging to defend the

living standards of workers, promising to restore the social wage, and offering the trade union movement an integral role in genuine negotiations leading to the formulation of an overall plan for economic recovery and reconstruction" Mr Knox said.

Labour's commitment to a broad based plan of reconstruction had not yet been carried out.

"In place of its agreed programme is a set of policies reminiscent of those outlined by the National Party in its national development strategy."

Labour was trying to turn the economy around as quickly as possible with a major reduction in the internal deficit, an export-led recovery and a market-led approach to prosperity with tax and welfare measures to protect the losers in the market place.

To do that it had so far devalued, deregulated the finance sector, tightened monetary policy, relaxed protection for New Zealand industry, increased Government charges, taxed state enterprises, reduced subsidies, imposed higher taxes, and urged wage restraint, while prices continued to rise with no control, Mr Knox said.

He said the FoL strongly rejected the policies when they were first hinted at early in 1984 and it still rejected them on the grounds that they put New Zealand on a low wage treadmill.



5 July 1985

## NEW ZEALAND

## PAPER: FRENCH ILLUSTRATE IRRELEVANCE OF WELLINGTON SHIP BAN

Christchurch THE PRESS in English 7 May 85 p 12

[Article by Nick Lee-Frampton: "French Lessons in the Pacific"]

[Text]

French military expansion in the South Pacific may infuriate Wellington politicians, but it demonstrates some pertinent defence lessons, not least the fallacy of a regional nuclear-free zone.

Creation of a new strategic military base by the French in New Caledonia would spotlight the irrelevance of New Zealand's warship policy when it comes to dissuading nuclear forces from the South Pacific.

The presence of a French nuclear submarine in the region, together with a fighter-bomber squadron, would more than restore Western security in the region that was upset by New Zealand side-stepping ANZUS.

A French base would also help to counter the further Soviet naval expansion in the Pacific that is bound to occur as this region supplants Europe as the cockpit for super-Power sparring.

There are, therefore, sound reasons to applaud and encourage the French initiative, although the Prime Minister, Mr Lange, has expressed anger and opposition to the Gallic enterprise.

Paris, albeit unintentionally, has demonstrated the perils that may confront New Zealand with a bluntness that no United States senator or "peace through security" referendum could hope to match. Franch has illustrated vividly the reality behind a military proverb: "Capabilities take years to acquire, but intentions can alter over-night."

The Rubis-class, nuclear-powered, hunter-killer submarine reportedly en route to New Caledonia is one of two operational boats, there are orders for six more of the same class. By contrast, there are more than 200

attack submarines in the Soviet fleet, many with nuclear weapons.

What may appear to be a balmy Pacific this week, could be harbouring nuclear warships and submarines the following week. Nuclear-powered submarines are particularly suited to transforming "nuclear-free zones" over-night. If nothing else, the news from France should shatter any illusions held in Wellington that New Zealand's geographic isolation permits nuclear isolation.

That a South Pacific "nuclear-free zone" is fallacious is emphasised rather than revealed by military activity in New Caledonia. Notwithstanding the passage of United States and Soviet surface and sub-surface units, the existing French underground test site at Mururoa had already destroyed any notion of a nuclear-free zone.

A leading article in the London "Times" last year, headed "Safe, on the surface" posed the question, "When is a nuclear-free zone not a nuclear-free zone? Answer: When nuclear weapons are going off beneath it."

Further evidence of the ethereal nature of nuclear-free zones was provided with the recent disbandment of a United Nations panel that had spent two years in a vain attempt to increase the number of designated nuclear-free zones.

The Fijian chairman of the 21-nation group, which included all five nuclear powers, said it was the first time, to his knowledge that "... the Secretary-General will not be receiving a report from a group that he set up."

Countries such as India and Argentina, rather than the major nuclear powers, were responsible

for hindering the group's progress, claiming "the whole thing is unrealistic, a side-show."

Mr Lange's initial reaction to reports of French military plans for New Caledonia was to say that "... there is something absolutely, sublimely bad in their (French) judgment of our interests and theirs in the South Pacific."

Such comment suggests that Mr Lange has an imperfect appreciation of the Gallic approach to defence. In spite of signs of an expanding dimension in French defence thinking, the key words remain "independence" and "nuclear."

An example of French independence is their support for the North Atlantic Treaty Organisation although outside the alliance's integrated command structure. The French nuclear forces include ground, air and sea-based systems which are at present being improved.

French independence in defence matters has forestalled the anti-Americanism that bedevils other European members of N.A.T.O. On the contrary, public and intellectual opinion in France is apparently more anti-Soviet than elsewhere in Europe.

On taking office, President Mitterrand was bound by an electioneering commitment to "moralise" the arms trade. This resulted in weapons being removed from French aircraft on display at the 1981 Paris Air Show when the

President paid a visit.

At the 1983 Paris Air Show, however, President Mitterrand explained that French independence depended on her own armed forces having the means for the job, and to have the means, it was essential to have access to foreign markets.

It was announced recently that the French arms industry had maintained its place as the world's third-largest arms exporter, with sales worth a record 61.8 billion francs last year.

Among the regional countries that neither operate or have ordered French military equipment are Australia, Brunei, Burma, India, Indonesia, Malaysia, the Philippines, and Singapore.

Speaking at a post-Cabinet press conference on April 29, Mr Lange said: "France has this unique quality of misjudging how welcome it is in our part of the world."

The Asia-Pacific region represents about a fifth of the world economy and its 1982 real G.N.P. growth of 3.5 per cent compared favourably with a world-wide zero.

Real gross domestic product growth for the Asian-Pacific economy during this decade was estimated last year at 4.2 per cent, compared with a world average of 2.8 per cent.

Like it or not, the French are not the only nation with designs for the South Pacific. Wellington bluster seems a poor response.

NEW ZEALAND

EDITORIAL ON PARIS CONFORMITY WITH WELLINGTON ON GATT

Christchurch THE PRESS in English 2 May 85 p 20

[Editorial: "Economic Talks in Bonn"]

[Text] When the leaders of the top seven Western industrialised economies meet in Bonn this week there will, no doubt, be the dutiful calls for open world trading and for a rejection of trade protectionism. The difference this year is that the leaders are going to be called upon to put their money where their mouths have been for the last few years and support a new round of trade talks under the General Agreement on Tariffs and Trade.

If the leaders of the United States, Britain, Canada, Japan, France, West Germany, and Italy, who meet in this way each year, had been able to ensure that their countries had adopted open trading policies as the sentiments of numerous communiques conveyed, a new round of talks might have been necessary only to catch up with what trading practices had become. Instead the new round is largely to ensure that trade protection does not take further hold in international commerce.

The United States has not officially announced that it is in favour of a new trade round, though it has been working towards a new round for some time. The statement by the American Secretary of State, Mr George Shultz, that if there was no new agreement the United States would go it alone in trying to cut trade barriers, is a threat indeed. The effect of this would be that the United States would agree with another country to cut trade barriers between them. Thus two or more of the major countries could come to what amounted to a private arrangement and the rest of the world would be excluded. Countries outside the private arrangement would find their exports to these major economies would face trade barriers such as high tariffs. The advantage in the existence of G.A.T.T. is that all countries will be placed on the same footing.

New Zealand has no formal place in the

summit meeting at Bonn, but its views have been made known to at least two of the participating countries, Japan and Canada. New Zealand has long been in favour of another G.A.T.T. round, though it wants agriculture to be treated with more seriousness in world trade than it appears to have been in the past.

If, for one hopeful moment, a world could be imagined in which agricultural trade was treated on the same basis as industrial trade, the position of New Zealand in world trade and its economic standing would improve remarkably. Countries would be prevented from imposing trade barriers against agricultural produce and they would be prevented from subsidising their own agriculture and exporting the subsidised product. Such a radical solution is more than can be hoped for out of a new G.A.T.T. round, but some progress, short of this, may be possible.

The former Prime Minister, Sir Robert Muldoon, became disillusioned with G.A.T.T. and placed his faith in a reform of the world financial system. To some extent the approach of France is similar. What was known as the Muldoon initiative in New Zealand was known as the Mitterrand initiative in France. France is holding out against a new G.A.T.T. round because it wants the world monetary system reformed. What France wants, in particular, is that the United States will reduce the high interest rates that are attracting money away from Europe. This means that the United States would have to have a lower domestic deficit. The United States shows no sign of complying with France's wishes on the matter. The United States will doubtless try to use its considerable economic muscle to get France to agree to take part in a new round. Mr Shultz's threat of making deals with individual countries is part of that strategy.

NEW ZEALAND

INCREASED FRENCH MILITARY ROLE IN PACIFIC POSES PROBLEMS

Wellington THE EVENING POST in English 2 May 85 p 6

[Editorial: "Troubled Waters in the Pacific"]

[Text] THE WORLD WILL not keep out of the Pacific and the waters of our ocean seem likely to be increasingly troubled by a big power presence.

The Soviets plan fishing deals with the Government of Kiribati and the French have announced an air-sea base will be built in Noumea.

The end result of any major military expansion is unpredictable, and if the French base does indeed proceed on a grand scale, New Zealanders in general might well find it unacceptable, though what could be done about it is a major question. But it does seem that the most likely explanation for this move is that it has been designed for French domestic purposes, to reassure the electorate that the Mitterrand Government will not abandon the settlers in New Caledonia.

There are plenty of opportunities for the French to combat Soviet expansionism in Europe without having to travel all the way to the Pacific to counter a less immediate threat. At the same time the French have a difficult colonial legacy to sort out in New Caledonia.

The settlers outnumber the indigenous people and in any referendum would outlaw full independence from France. In an attempt to work round this, four elected regional authorities will be set up and they will, since three of them will be dominated by the indigenous people, outflank the numerically superior white settlers who congregate largely in one region.

New Caledonia is a textbook case of an insoluble political problem. The Kanaks have seen the population balance tip against them within the last generation and they are clearly willing to fight rather than give up the idea of independence from French rule.

The arrival of Mr Mitterrand's leftist Government in France encouraged ideas that independence would follow for New Caledonia but the French are more French than they are devotees of any political ideals and the domestic electorate will not tolerate the abandonment of the settlers in the colony.

Nuclear submarines and aircraft carriers cannot be seen to play an obvious role in crowd control in a troubled colony, but the promise of a large military presence does allow for reassurance that settlers will not be abandoned.

This leaves New Zealand, in its present introverted mood, in a difficult situation. Years of protest at French testing in the Pacific have done little to deter the French and a lot to work up anger against France. Yet we and the French are part of the democratic West which is involved in a struggle to prevent more of the world from sliding into the bitter tyranny that follows Soviet conquest.

Pressing as our economic problems are, and interesting as the moral question of sporting contact with South Africa may be, the rest

of the world will not go away while we debate a goods and services tax, or argue which black African nation is the least distasteful site for a diplomatic mission. Sooner or later we will have to re-focus our attention on whether we want to shrink into a debating society or whether we want to retain a real role in deciding the destiny of our region.

The French decision may speed that process.

CSO: 4200/1050

5 July 1985

NEW ZEALAND

FARM LOBBYIST ON NUCLEAR POLICY'S THREAT TO TRADE

Wellington THE EVENING POST in English 2 May 85 p 7

[Article by Hugh Nevill]

[Text]

WASHINGTON, May 1. — Federated Farmers president Mr Peter Elworthy is winding up an intensive three weeks in the United States convinced that the "no nuclear" decision has the potential to harm New Zealand's exports worldwide.

Mr Elworthy has visited Illinois, New York, Minnesota and Washington DC inspecting farms and talking with farming organisations and New Zealand trade representatives and diplomats. In Washington he talked with a wide range of government officials, congressmen and congressional aides.

Mr Elworthy said today he believed the importance of the Government's refusal to allow nuclear-capable ships into port was "the negative result of attitudes towards New Zealand as the trade scene tightens."

He had concluded, he said, that New Zealand trade was not being disadvantaged in the US at the moment.

The US, though, was likely to start marketing agricultural products more aggressively in other countries, with the likelihood that New Zealand would be "squeezed."

The US Administration and Congress were looking at tax reform, at budget decisions and at a new four-year farm bill, he said.

"It was made clear to me that we will no longer get members of Congress deferring decisions that might impact on New Zealand because of the high regard in which New Zealand was held."

CSO: 4200/1050



PHILIPPINES

BATASAN EVIDENCE LINKS FIRST LADY TO FUNDS DISPOSAL

Quezon City VERITAS in English 5 May 85 pp 16, 17

[Text]

**D**ID Mrs. Imelda R. Marcos ask then Central Bank Gov. Jaime C. Laya to approve the diversion abroad of \$14 million of the \$25 million loan of the Asian Reliability Co., Inc. (ARCI) guaranteed by the Philippine government?

A document submitted last week to the Batasan committee on finance had on its first page a handwritten note purportedly signed by Mrs. Marcos and addressed to "Gov. J. Laya." It read: "I highly recommend the approval of this proposal vital to our development program."

The note, dated July 20, 1983, was written on a memorandum ARCI submitted in support of its application for the Monetary Board's approval of its "revised business plan." Oppositionists call the plan a euphemism for the diversion abroad of \$14 million of the \$25 million loan ARCI secured for the establishment of five semi-conductor manufacturing projects in the country.

The document, admitted as Exhibit E-1 by the finance committee, was a mere photostatic copy, however, and there was no immediate confirmation of the authenticity of Mrs. Marcos' signature. Earlier, the *San Francisco Examiner* in its March 10 issue said that President and Mrs. Marcos owned 50 per cent of ARCI and were to receive 10 per cent of the company's yearly net profit. The reporter who wrote the expose,

Phil Bronstein, was a recent Malacañang visitor.

The Batasan probe of ARCI was urged in separate resolutions filed last September by opposition MPs Hernando Perez of Batangas and Oscar Santos, Hjalmar Quintana, Bienvenido Marquez, and Cesar Bolaños, all of Quezon. Another investigation by the Ministry of Justice was ordered by President Marcos last January.

The five MPs also sought the investigation of the connection between Dynetics and ARCI. The Human Settlements Development Corp. (HSDC) invested P33 million in Dynetics, an electronics firm described by Human Settlements Deputy Minister Jose Conrado Benitez as a "sister company of ARCI." Benitez was Dynetics treasurer while his late wife, Betty, was described by the *Asian Wall Street Journal* in its Oct. 3, 1984 issue as "ARCI's chief financial officer" and had been in charge of "liaison with government agencies that approved and guaranteed ARCI's \$25-million loan."

The loan was obtained for the establishment of five semi-conductor manufacturing projects, namely: tool and die manufacturing, precision equipment manufacturing, precision equipment testing, gold and silver recovery, and wafer fabrication. The loan was guaranteed on June 2, 1981 by the Philippine Export and Foreign Loan Guarantee Corp. (Philguaranteed) whose board then included

Prime Minister Cesar Virata, Industry Minister Roberto Ongpin and Laya.

Vicente Chuidian, Dynetics chairman and ARCI founder, said that three of the five proposed projects were scrapped due to slumping worldwide semi-conductor sales. Instead of building the two other factories, ARCI in 1981 bought 35 per cent of the outstanding capital stock of Dynetics, 35 per cent of that of Interlek Inc., 80 per cent of that of Test International, Inc. and 80 per cent of that of Tool and Die Masters, Inc.<sup>1</sup>

ARCI bought out its 35 per cent share of Dynetics and Interlek from an American businessman Jacobo Ratinoiff reportedly for \$12 million. Interlek is a California-based company engaged in the assembly of integrated circuits. It subcontracts the orders it obtains chiefly to Dynetics.

**I**N ITS memorandum to the Central Bank, ARCI said: "While profitability is a prime consideration, the more significant element in the acquisition of Dynetics and Interlek may well be in the ready access to rapid technological developments in the assembly of integrated circuits." The memo noted that Interlek is located in the heart of Silicon Valley, the center of the world's research and development in microelectronics.

The memo cited Test International, Inc. as a small Silicon Val-

ley company engaged in the testing and burning of integrated circuits which it called "essential to a quality performance of all chip assemblies, particularly by newer high technology circuitry." It also described Tool and Die Masters, Inc. as "a well established high technology business in the US for the manufacture of precision tools, dies, and molds" and "has always had an excellent reputation for quality and technology."

Philguarantee and Credit Suisse First Boston (CSFB) approved the use of the government-backed borrowings for the share purchase but the Central Bank rejected the "revised business plan" and refused to register the loan since it was secured without being reported to the CB.

The Foreign Borrowing Act of 1970 and CB regulations require that all foreign financial obligations incurred by Philippine nationals be registered with the CB so that the bank may know at any one time what the nation's total external debt is.

The Central Bank's refusal to register the \$25 million loan alarmed the CSFB which said last September that its loan to ARCI was in default, and filed a lawsuit demanding payment. The Philippine government contends that since the ARCI loan was not reported to the Central Bank, the loan should be excluded from the list of obligations that are to be rescheduled. This threatened to de-

rail the talks on the rescheduling of the Philippines' \$925 million foreign loan of which CSFB was involved.

Said the *San Francisco Examiner*: "Although the Marcos family never put its money into ARCI, the company, with the help of Betty Benitez, secured the \$25 million loan for its expansion, \$8 million from Manila's Security Bank and Trust Co., owned by (Rolando) Capud.

"But by late 1980, Chuidian decided that ARCI needed 'access to the electronics technology' in Silicon Valley. His proposal to shift \$14.3 million of his loan to buy the Silicon Valley companies was approved by the Philguarantee.

"In June 1982, Betty Benitez was killed in a car crash. At her funeral, President and Mrs. Marcos both told Chuidian to go ahead with his new plans. After Chuidian complained to the president and others that "no equity was ever invested" Capud took over Benitez' role as the middleman and began demanding financial statements for Marcos.

"Without Betty Benitez pulling the strings, the Central Bank held up its approval of his new plans for almost two years. But Chuidian, citing sales deadlines and assuming his Marcos connection would eventually win him approval, went ahead with the deal anyway."

Bronstein's *San Francisco*

5 July 1985

## PHILIPPINES

## BALWEG BROTHER DESCRIBES REBEL PRIEST

Quezon City ANG PAHAYAGANG MALAYA in English 10 May 85 pp 1, 8

[Article by Ellen Tordesillas]

[Text]

BAGUIO CITY - "It's a futile dream to expect my brother to surrender. He would rather die in the Cordilleras fighting for a cause he believes in." Thus said professor Bienvenido Balweg, head of the communications and publications department of the Mountain State Agricultural College (MSAC), of his younger brother, rebel priest Jose Conrado Balweg.

Prof. Balweg speaks of his brother with a perception of one who shared not only a common home, but who had been privy to his thoughts and sentiments even if the last time they saw each other was two years ago.

The professor declined to elaborate on their last meeting, but said that that was not the last time he heard of his brother, for whose head the military is willing to pay P200,000.

When the military reported that Fr. Balweg was sick and dying after he was allegedly wounded in an encounter, Prof. Balweg found a note on top of his refrigerator assuring him that the "dying" brother is alive and well.

He didn't bother to find out how the note got there, in spite of the closed windows and door.

Prof. Balweg remembers vividly Sept. 19, 1979, when his younger brother dropped by MSAC to say "hello" to him. From their brief conversation, his younger brother confided that he was no longer at ease in his parish in Abra. He said he was being advised to leave the province.

At that time, Fr. Balweg was deeply involved in helping the people of the Cordilleras resist the intrusion of Cellophil Industries owned by Marcos crony Herminio Disini. Cellophil, Balweg said, was cutting down pine trees, and turning the area into a military zone.

The professor said that when they heard that his brother had taken up arms, they were saddened, but they understood.

"He said we have to take up arms because the other side has arms," the soft spoken professor said, echoing his brother's line.

"The militarization of the Cordilleras is destroying the people's culture, and they resent that. My brother was merely helping them," he said, adding his personal observations.

"The people of Cordillera have developed a negative attitude toward people in the government. They believe that if you are working for the government, you are there not really to help them, but just to earn a salary.

The children now are no longer afraid of anybody. Armed men have become a common sight to them."

As for his own personal views about the government drive to get his brother, dead or alive, he said, "before, I had the highest regard for President Marcos. But the way things are, I'm beginning to have doubts."

He differs, though, from his radical brother, as he does not believe that an armed revolution is the way to achieve reforms in the present society. Although he has always maintained a simple unobtrusive lifestyle, the military has not completely overlooked him. He was once "interviewed" lengthily by the military at MSAC.

One day last year, when he was driving a jeep at Plaza Trinidad, he was pursued by a group of army men in a jeep. It turned out that he was mistaken to be Fr. Balweg. The military men later apologized when they realized their mistake.

He resembles closely his brother, with his sturdy build, sunburnt skin.

He was also a product of the SVD

seminary, where he spent 12 years of his young life before he decided to step out. "I found out that even in the church there are politics," he said. He is now married with two grown-up children.

The Balwegs are regarded in Benguet as men of intelligence and conviction. Another brother, Jovencio, disappeared several years ago. He is believed to have joined his brother priest, but Prof. Balweg declined to confirm this. The professor felt embarrassed about the "intelligence" bit, but he gave an idea as to what shaped them into what they are now.

"My father is a liberal man who respects our ideas," he said. The old man now lives alone farming in Kalinga-Apayao. He also said that their childhood was influenced much by a German priest who worked with their tribe, the Tingyans, in Malibcong, Abra.

Asked "what if one day, you read in the newspapers that the military finally got your brother?" his answer was brief and firm: "We accept things as they are. Is there anything we can do?"

CSO: 4200/1069

PHILIPPINES

SUSPECTED 'SALVAGING' TERRORIZES ANTIQUE TOWN

Quezon City ANG PAHAYAGANG MALAYA in English 10 May 85 pp 1, 6

[Article by Yvonne Chua]

[Text]

At least three persons were killed and two others seriously injured last month in the mountain town of San Remigio in Antique, said to be one of the most peaceful areas in the province before.

The spate of killings, believed by many to be part of a "salvaging" operation in the town, has forced residents to flee their homes which face the danger of being strafed in the night by what residents said are trigger-happy local officials and uniformed men who claimed to be members of the Civilian Home Defense Force (CHDF), a paramilitary unit.

With the help of civic leaders and the church-backed Task

Force Detainees (TFD), the evacuees, now living with relatives in San Jose, the provincial capital 20 kilometers from San Remigio, have come up with a list of the "salvaged" victims.

The list, a copy of which was furnished to Malaya, will be presented anytime now to Col. Alfredo Daluyaya, Antique provincial commander, to underscore the need for additional protection that must be provided by the police and the military to town residents.

The list identified the victims in last month's killings as Dan Edgar Villar, Apolinario Ollague, and Moses Marquez.

Villar was shot dead last April 3, on Orquia St. Fatal wounds were inflicted by an armalite.

Ten days after, Marquez was shot dead in Iguirindon. Ollague's death followed three days later when he was stabbed by unidentified armed men.

Information reaching

Malaya said the house of Pedro Veidor and Raymond Patrio were burned last April 8 by armed men who first strafed these with their armalites.

Three days later, Lucas Mandolado was shot in the knee by a garand rifle while sleeping in his farm house in Canyon, Baladaya.

On April 21, another San Remigio resident, this time in Nasuli, was stabbed by unidentified armed men.

The list showed that from September to November alone, at least four persons were killed. They were Ruben Romeo Velasco, Anacleto Mayuad and Deonito "Bugna" Tubianoso who were all shot dead, two of them with carbine rifles.

All the incidents documented by the evacuees occurred at night.

Residents believe the killings to be political in nature.

They cited, for instance, the death of Mandolado's son, Oscar, last month. The younger Mandolado was believed to have been shot by a son of a ranking local official.

The Mandolados are

said to be supporters of Nacionalista Party (NP) candidate Evelio Javier and the local official is known to be a staunch supporter of Member of Parliament Arturo Pacificador of the Kilusang Bagong Lipunan (KBL).

Javier and Pacificador fought bitterly over the Batasan post in the last May 14 elections that was marred with the ambush of 9 persons, mostly from the Javier camp and relatives of Antique Gov. Enrique Zaldívar, last election eve.

San Remigio residents said most of the victims and their relatives witnessed the massive cheating that occurred in the town's 50 precincts whose returns are being contested up to now by Javier.

Staying with relatives in San Jose, relatives of the victims now return to their town only during the day to look after the houses and other property they have left behind. When night falls, they are found in the capital city.

"Very few people now go there (to San Remigio). Our lives are no longer normal. People live in fear," residents told civic leaders and church groups.

PHILIPPINES

COLUMNIST ON BENEFITS OF U.S. STATEHOOD

Quezon City ANG PAHAYAGANG MALAYA in English 10 May 85 p 4

[Commentary by Vic Barranco in the column "Town crier": "Statehood Movement Supported"]

[Excerpts]

Before we became an independent and sovereign nation after nearly half a century of American rule, we did not care for US dollars or British pounds. We were contented with our own peso/centimo currency which had been introduced here by the Spaniards. When the Philippines came under American jurisdiction, our peso was automatically recognized and honored by the US government which pegged our currency at P2 to one US dollar. We lived in a helluvah happy times, the times of peace and contentment, because we could easily get almost all the things that we wanted in our daily life from America and other foreign countries.

Then we became a proud Republic. Inde-

pendence was proclaimed, we wrote our own Constitution. Next the upstart politicians, and the export-oriented economists, and the foreign loan negotiators emerged; and the cavemen came out of the mountain thickets and hinterlands of Isabela and Mountain Province and Ilocos. The youngsters who claimed they could prepare get-rich-quick industrial portfolios for the moneyed cavemen, began roaming the business circles; they were followed by the black marketers, the dollar salters, the landgrabbers, and now the bank grabbers. Their feverish activities all but burned our peso bills to ashes. We lost our peso and became dependent on the dollar which is difficult for us non-cronies to get.

The big loss of the value of the peso, the return to the scarcity diet and the lneklia P2 meal which has not yet, however, left its launching pad at a Manila Hotel P500 a plate ceremony, is one big reason for the

growing American statehood movement among the Filipinos.

I am getting to be a supporter of the statehood movement, or a return-to-Commonwealth status movement, or even to the American colony movement, for that matter, I support the new movement not only to return to the P2 to one US dollar rate of exchange which enabled my rural folks in Janhuay to have plenty of Saigon rice, to have Florsheim shoes, American textbooks, all at the low price within the reach of the common tao; but also I want the Philippines to be under the United States because I would love to see the Blue Ladies of Malacanang earn honestly their living by working as salesgirls in Sears Roebuck department stores, or Bloomingdale chain stores in America. And also I want to see my favorite, brave generals of the AFP work in US military camp kitchen peeling potatoes from morn till night.



PHILIPPINES

ASSESSMENT OF 1984 '76 DAY WAR' AGAINST MNLF

Quezon City ANG PAHAYAGANG MALAYA in English 11 May 85 pp 1, 8

[Article by Ben Evardone]

[Text]

At least 125 rebels were killed, and scores were wounded while the government suffered 7 casualties and 25 injured in a 76-day war last year between the military and the Moro National Liberation Front (MNLF). The government used an arsenal of mortars, artillery, aircraft, bombs and rockets, during the battle.

This was disclosed Thursday in a secret report by Col. Jose Commendador of the Philippine Army to the Batasan subcommittee on Human Rights in a probe of alleged use of chemical bombs by the military in its anti-insurgency campaign in Mindanao.

Commendador said the 2nd Infantry Brigade of the Southern Command, augmented by Philippine Army troopers and Civilian Home Defense Units (CHDF), conducted

ground operations starting April 2 last year. A three-day softening up operations with the combined use of mortar, artillery, air strikes from Aug. 5-7 before a final assault on Aug. 13 at the Carandangan complex, 25 km away from Marawi City, where MNLF Commander Jalil Abdul Jaaber alias "Kumander Narra" and his estimated 200 followers have constructed tunnels.

He repeatedly denied that chemical bombs, specifically Napalm in its anti-insurgency campaign.

He said the military only used three T-28 counterinsurgency aircraft and two helicopters which dropped 2,260 lbs. of bombs, which, he said, has a 1 km. killing radius each, 12 110 lbs. bombs, 42 rockets, and 2,500 rounds of .50 caliber ammunition during assault.

An international fact-finding mission had "confirmed without doubt" that the military used

chemical bombs against the MNLF rebels, according to a report of the Agence France-Presse published in Malaysia.

Commendador justified the use of mortars, artillery, aircraft, and bombs during the operations in Carandangan saying the "terrorist's stronghold was well fortified and command the approaches through the ricefields and plains of the valley." Carandangan is located along the eastern shore of Lake Lanao.

He added that the movements of the military through the hilly and forested backing terrain would subject government forces to ambush considering the well deployed terrorist forces in advance posts.

He said the military had declared the area "no man's land" 45 days before the launching of the final operations.

Opposition Members of Parliament led by Nep-tali Gonzalez of Mandaluyong-San Juan expressed surprise over the revelation of the military that it had engaged in "war" without the knowledge of the Batasan.

But Defense Minister Juan Ponce Enrile countered that the word war is also being allegedly used by the "enemy of the people — the rebels," saying they are waging a "protracted war."

CSO: 4200/1069

PHILIPPINES

THREE DIVERSE ASSEMBLYMEN PROPOSE NEW CONSTITUTION

Quezon City ANG PAHAYAGANG MALAYA in English 12 May 85 pp 1, 8

[Article by Desiree Carlos]

[Text]

Three well-known parliamentarians agreed yesterday on the need to amend the Philippine Constitution to remove "flaws and errors" and to make the highest law of the land "responsive to the times."

Speaking at the launching of the monthly *Usap-usapan* in Quezon City, the three - Batasang Pambansa Speaker Nicanor Yniguez, Minority Floorleader Jose B. Laurel Jr. and Caucus of Independents chairman Helena Benitez - disagreed, however, on when constitutional amendments should be introduced.

The *Usap-usapan* is sponsored by the College Editors Guilds'

Alumni Association (CEGAA).

While acknowledging that amendments may be necessary, Yniguez said any change in the Constitution is at present inadvisable in view of the economic crisis and the forthcoming elections.

Yniguez said proposed amendments may become "political" in view of the forthcoming polls.

Laurel and Benitez, on the other hand, pressed for the immediate amendment of the Constitution in order to repeal Amendment No. 6.

Amendment No. 6 empowers the President to issue Presidential Decrees when the Batasan is not in session or when

it fails to act on important matters.

"There is no sense in having two lawmakers," said Laurel who pointed out that the country has a tripartite government that vests in the Batasang Pambansa lawmaking powers.

Laurel summarized what he felt were defects in the present Philippine Constitution. These include, he said, lack of checks and balances, non-application of democratic principle of powers of the three branches of government (legislative, executive, and judiciary), and inability of the Batasan to legislate.

Laurel stressed the need to strengthen a two-party system in the country as he pushed for the accreditation of

only one dominant opposition party during election time.

The Batasan should provide ad hoc rules on accreditation for the local and presidential polls, he said.

Laurel said a three-party system would only be "fatal" to the opposition as the people's support would be divided. He sought a coalition of opposition groups to contest the ruling Kilusang Bagong Lipunan (KBL).

Laurel urged Filipinos to vote for principles and policies of political parties, and not for personalities. He also called for the holding of a free, honest and orderly elections.

These are two of the several conditions needed to restore "true democracy" in the country, said Laurel.

CSO: 4200/1069

PHILIPPINES

GROUPS ASK END TO AUTONOMY, CITE 'FAILURE'

Quezon City ANG PAHAYAGANG MALAYA in English 12 May 85 p 6

[Text]

Three Mindanao-based organizations are seeking the dismantling of the autonomous governments in Central and Western Mindanao which they dubbed "a failure".

In a statement, the Marawi City-based Ranao Development Forum (RDF), the Zamboanga del Sur-based Muslim-Subanon-Christian Organization for Reconciliation and Unity (MUSCRU), and the Davao City-based Kristianismo at Islam (KRISLAM) deplored what they said was the failure of the two regional autonomous governments to improve the island's economy and to maintain peace and order in the area.

The two regional autonomous governments were created by President Marcos in 1979 in line with the provisions of the Tri-polit Agreement signed in 1976.

"The Moro areas in Mindanao remain among the most backward throughout the Philippine archipelago," said the three

organizations which cited the few industries, poor roads and other infrastructure in the island.

They said incursions of transnational corporations and firms owned by what they said were "cronies" of President Marcos into the Moro lands only resulted in the "oppression and exploitation of the Moro masses".

Saying no peace and order has been brought to the two regions, the organizations said Mindanao even experienced increased militarization, political repression and human rights violations by military and paramilitary men, "rebel returnees" and fanatic groups with the creation of these autonomous units.

"The cities of Zamboanga, Marawi, Jolo and Cotabato are the most heavily militarized throughout the country, so militarized that everywhere you see green-fatigue uniforms of AFP (Armed Forces of the Philippines) soldiers," they said.

The three Mindanao organizations decried, what they claimed was the inability of the autonomous governments to bring to justice criminals who perpetrated massacres, salvagings and kidnappings.

They said the assassinations of Zamboanga City Mayor Cesar Climaco, Italian priest Fr. Tullio Favali, and publisher Jacobo Amatong, among others, remain unresolved.

The organizations charged the government of violating provisions of the Tripoli Agreement which was signed on Dec 28, 1976.

The agreement provides, among other things, the establishment of autonomy for Muslims in 13 provinces in Mindanao; special regional security forces in the areas of autonomy; a legislative assembly and an executive council; recognition of the Muslims' right to set up their own courts, schools and colleges, and a ceasefire in hostilities.

In forming the autonomous regions, the organizations charged that the government held "farical" referendum on the question of the autonomy, followed by what they said were also "farical" elections in 1979 and 1982 for the officials of the two autonomous regions.

The regional governments were packed with Marcos men, said the organizations which said the officials "accomplished nothing other than mispent the money of the people".

"The Tripoli agreement would have spelled decisive victory for the Moro people and the Mindanao National Liberation Front (MNLF) in their long struggle for self-determination," they said.

The organizations noted, however, that the government disregarded the accord's provisions by reducing the sphere of autonomy to only 10 provinces and created only two regional autonomous governments.

CSO: 4200/1069

PHILIPPINES

REBEL ACTIVITIES PROMPT RURAL SCHOOL CLOSURES

Manila BULLETIN TODAY in English 19 May 85 p 8

[Article by Tony Pe. Rimando]

[Text]

**BAGUIO CITY —** Rebel activities in the southern Philippines have forced local field school officials to close many rural schools in the region last school year, it was learned here recently.

Many educators from Mindanao expressed fears during the annual conference of schools superintendents at Teachers Camp that the worsening peace and order situation in their areas might lead them to close more schools in the coming school year which starts in June.

Among the provinces reportedly affected by the dissidents include Bukidnon, Zamboanga del

Sur, Agusan del Sur, Misamis Oriental, Davao del Norte, Misamis Occidental, Zamboanga del Norte, Surigao, North Cotabato, and Agusan del Norte.

The field school executives reported that they had to close some of their far-flung gradeschools after local inhabitants were forced to evacuate to the poblacion and other safer areas due to atrocities allegedly committed by rebels.

"Even the teachers were too afraid to report to their schools and had to be reassigned to poblacion and nearby schools," the school official said.

CSO: 4200/1087

PHILIPPINES

FURTHER REPORTAGE ON CORDILLERA ALLIANCE FETE

Quezon City ANG PAHAYAGANG MALAYA SUNDAY in English 12 May 85 pp 13, 14

[Article by Romy P. Marinas]

[Text]

Until February this year when a New People's Army (NPA) unit led by rebel-priest Conrado Balweg smoothly and bloodlessly occupied the entire town, Sadanga had salved, not the dreams of barefoot fighters, but only the wanderlust of fair-skinned foreign tourists and a few lowlanders scouring the vast and magnificent Cordilleras for that ethnic touch to the Shangri-la they seek.

Recently, Sadanga again received visitors in its barrio of Belwang, throwing its doors wide open to some 500 guests from neighboring towns, tribal communities in the Sierra Madre mountains and Mindanao, Cagayan Valley, Manila, Baguio, and far-away Denmark, Switzerland, the Federal Republic of Germany, the United Kingdom, the United States, Canada, and Japan. The occasion: the first All-Cordillera Day.

Organized by the Cordillera People's Alliance (CPA), a multisectoral group opposed to government policy — in technocrat jargon, development-from-above — on tribal communities, the event coincided with the fourth death anniversary of Macli-ing Dulag, the Butbut leader of the papangat (council of elders) of Bugnayan barrio in Kalinga-Apayao who led the fight against the Chico River dams.

Macli-ing did not live long enough to savor the victory of the Kalingas and the Bontocs, another tribe that would have been obliterated by the dams, over Lahmeyer International GmbH of Frankfurt, Germany and the Philippine government. On the night of 24 April 1980, constabulary troops killed the man.

Belwang sits atop one of the hundreds of peaks dotting the Sadanga side of the Mountain Province. At night, from the town hall where Balweg and his men tied the vice-mayor and Civilian Home Defense Forces (CHDF) soldiers, Belwang beckons to the city-bred hiker like an unreachable star, a good three-and-a-half hours away. It takes the Manguma tribe of Belwang considerably less — two hours on a moonless night and just one under an overcast sky.

Home to some 2,500 villagers living in some 200 modest two-story houses of wood and iron sheets, a vintage-American prairie chapel notable for its 14 stations of the cross, and a schoolhouse that offers lessons up to the fifth grade, Belwang looks like a perfect retreat place for the travel-weary hunter of quiet and solitude.

As for the basics — there are faucets, there are waterfalls, there is a sari-sari store that sells Coke, Eveready batteries,



and Marlboro, and there are Tagalog and English-speaking villagers. That there are no medical and toilet facilities apparently did not faze an American husband-and-wife team who, said a resident, stayed long enough for their child to be conceived and born in Belwang.

Another team — of Philippine marines and army men — also stayed long enough in Belwang as to threaten the bounty and beauty of the barrio. The soldiers were not taking advantage of a Cinderella liberty but were reportedly in pursuit of NPAs who they suspected in the killing of a captain and the wounding of another soldier early March.

The military's almost one-month presence in the area disturbed the daily, normal life of the Mangumans, according to the villagers. The troops reportedly seized chickens without paying, slaughtered dogs which they refused to pay for. The 200-strong military force was also said to have destroyed the school-house and stolen bananas.

Belwang, however, stood its ground and pressured the soldiers into leaving the village, telling them, "kung kalaban ang hinahanap ninyo, nandoon sila sa bundok." The admonition had been preceded by harsher verbal tussles between the residents and the military. At one point, the troops told the villagers, "huwag kayong magputol ng kahoy" to which the people replied, "E, saan kami kukuha ng pangatong?" Matter-of-factly, the marines and army men answered, "di, bumili kayo ng gaas." No physical clash nor arrest, though, resulted from the heated conversations.

The drama was to be repeated on the eve of All-Cordillera Day but with the adrenalin of the protagonists very much in check. At Ampawilen, near the border of Mountain Province and Kalinga-Apayao, the 200 or so revelers packed in 12 Ford Fieras, were flagged down by a convoy of two Mac-Arthur jeeps, a six-by-six truck, and an armored personnel carrier named Tikling.

The multilingual chatter aboard the vehicles came to a hush as journalists, nuns, priests, lawyers, and local officials led by Bontoc mayor Louis Claver Jr. and his brother, lawyer William Claver

who is the CPA chairperson and a legal counsel of the Free Legal Assistance Group (FLAG), negotiated for safe passage with the military officer who blocked the visitors' way. None of the vehicles were searched, though. Photographers from the foreign wire agencies recorded the unnerving impasse but were curtly told not to take pictures of heavily-armed, civilian-clad soldiers perched on a hilltop.

"This is the biggest crowd I have seen in five years here," said William Claver, running his eyes through the G-stringed and the trousered, the blond-haired and the blue-eyed men and women, young and old, who came to sip bayas (Igorot wine made from sugar cane), dance to the beat of gangsas (bronze gongs), and otherwise show concern for the plight of the Cordilleras.

The merriment, seemingly at odds with the fact that a man's brutal death is being remembered and a government's apathy is being scored, was disturbed occasionally by the drones of a low-flying helicopter over Bugnay and, early in the morning, by a high-intensity earthquake.

Bugnay, in fact, was already under siege by the 1st GHQ battalion the day before, according to a University of the Philippines-Baguio student who, along with local and foreign visitors, tried to enter the barrio but were barred from doing so.

The battalion, led by Lt. Col. Roderico Castro, was reportedly after Mario Yagao, a village leader, and four young boys conducting a literacy campaign. The battalion arrived in the area 19 April and Lt. Col. Castro said that it will stay there for six months. Beefing up the unit were two helicopters, one of which almost crashed to the ground because, according to Lt. Col. Castro, the people tried to shoot it down, two armored personnel carriers (one of which is Tikling, the other, Psalm 18), and the vehicles that waited at Ampawilen. Lt. Col. Castro, who flew to Bugnay aboard one of the helicopters, was quoted as saying that his men have already killed 30-40 NPAs since they arrived.

Yagao and the four boys were finally spirited out of Bugnay by the local and foreign visitors and then escorted to Belwang. Visibly affected by their first brush with the military, the youngsters, together with 12 other teen-aged boys and girls, gave a rousing, highly emotional performance of a tadek (Igorot) dance interspersed with songs). The performance was to set the tone for the street plays that, in one, saw two actresses breaking into tears and, in the other, the reel-Macli-ing faltering with his lines as he grappled, trembling, with his spear.

Belwang was actually the third Sadanga barrio to host the Macli-ing memorial, Buscalan having been first in 1982 and Betwagan last year. Bugnay hosted the first and Pangat, the 1983 commemoration that was aborted as soldiers hounded the barrio's guests all the way.

Fr. Patricio Goyguyon of Bontoc said that 1980 was not the landmark year for the growth of the Igorot consciousness movement.

"It was 1974," he said, "because in that year (when work in Chico II began), the whole Cordillera came to realize that (a) government cannot only be oppressive and exploitative but repressive as well."

The bespectacled priest, who looked into the situation of the Maoris of New Zealand during a conference last year in Wellington, added, "the movement is growing, not only in the barrios but also in the towns and cities." Fr. Solang, another active CPA personality, proffered that the reason could be "the Igorot's way of speaking the truth all the time."

A municipal councilor of Sadanga was more outspoken as he compared the central seat of power's administration of justice with the manner the Cordillera people do it. He told about the speedy way the village court redressed the grievances of the family of a man killed by a Sadanga resident: the defendant was made to pay P30,000 plus two carabao.

"The government would have taken 12 years to do that," he bewailed.

What their peers articulate in so many words, the youths of Sadanga do in a symbolic yet daring fashion. Several of them wear necklaces with miniature armalites carved from pinewood as pendants. Necklaces in times past served only to distinguish a Butbut from a Manguma, or a Bontoc from a Kalinga. None of the youths, though, flaunt the punkish accessory and neither do they prevent anyone from ogling at it.

"It does not matter whether the struggle is violent or non-violent," said Mayor Claver, because the Cordillera people have opted for both."

Claver, brother to a bishop, lamented the general's disrespect for the word "Cordillera" and appealed to his enthralled audience not to make the Igorots the butt of jokes even as he called on his colleagues in government "not to take advantage of the people because many of them have the same problems the people have."

The bodong (peace pact) is often mentioned whenever the issue of war and peace comes up in any tribal pow-pow, and the first All-Cordillera Day was no exception. The bodong settled not only the personal and economic problems within and among the different il-ili (villages) but governed the relationships of the people on the social, political, and cultural levels. It now faces the acid test in the age of transnational corporations and, according to the CPA, militarization.

Strangely enough, no more than 30 tribes in an undetermined number of communities in the Cordilleras practice the bodong system. It is more or less Greek to the Ifugaos. At the press conference held on the night of 24 April, a CPA spokesperson admitted that the bodong is so durable and yet so breakable, taking no more than a petty inter-tribal squabble for it to lose its essence.

"And, yes," Fr. Solang said, "there are attempts by the government to undermine it."

Apparently, one of the reasons for the growing popularity of multilateral bodongs (originally bilateral) is the felt need for a stronger shield against external, harmful incursions into the stillness of the Cordilleras, said the CPA spokesperson.

It appears that the Cordillera Bodong Association (CBA), formerly the Kalinga-Bontoc Peace Pact Holders Association (KBPHA), which is affiliated with the CPA, would have its hands full. Indeed, a tough job for an organization that is only four months old considering Lt. Col. Castro's statement that they have allegedly confiscated from Bugnay a document on how to infiltrate the bodong system.

All of Belwang it seemed came to say goodbye to their new acquaintances in the early morning of 25 April. Sr. Juliet of the Congregation of Franciscans of

the Immaculate Conception (CFIC), along with 10 other nuns, Lean Alejandro, two men who had to be carried on the shoulders of two hardy guides, and the rest got ready for the trip home. Sr. Juliet's jelly beans, which rescued a journalist the night before from exhaustion, were gone. Her New Testament and Psalms was unspooled considering the number of times she fell into the payaos (rice paddies). Out of curiosity, the journalist borrowed the nun's little book and turned the pages for Psalm 18.

At Ampawilen, the Ford Fieras were again stopped and the passengers' bags and knapsacks searched. Tikling was the only reminder of the previous day's encounter, the other weapons of war nowhere to be seen. Psalm 18 was still in Bugnay.

Sr. Juliet's little book told the journalist that Psalm 18 referred to David's song of victory over Saul and his other enemies.

CSO: 4200/1069

PHILIPPINES

OPPOSITION TO SECRET MARSHALS GAINS MAYOR, EDITORIAL NOD

Manila Mayor Speaks Out

Manila BULLETIN TODAY in English 11 May 85 pp 1, 12

[Text]

Manila Mayor Ramon D. Bagatsing strongly objected yesterday to the continued deployment of secret marshals, saying their "operations involve violations of human rights."

The mayor proposed instead the fielding of more uniformed policemen.

"If I had my way, I'll do away with those secret marshals," Bagatsing said.

He called attention to newspaper headlines on the killing of crime suspects by secret marshals, which, he said, raises grave doubts about human rights transgressions.

"You do not kill a mere suspect because the death penalty is imposed only after a person had been charged, tried, and convicted," said Bagatsing, a former Manila policeman.

He pointed out that just recently, President Marcos reduced the penalty on subversion from death to mere imprisonment.

While conceding that Brig. Gen. Narciso M. Cabrera, Western Police District (WPD) superintendent, might have good reasons for using the secret marshals in view of the rise in bus and jeepney holdup cases, Bagatsing said an alternative solution would be the fielding of more uniformed policemen.

The presence of policemen in uniform, Bagatsing added, could also be a deterrent to holdup men and snatchers.

The mayor said he was voicing his personal views on the issue, but insisted that if the police are returned to the mayors' supervision, he would not allow the fielding of secret marshals.

Cabrera, who joined the mayor later in the interview, said he has fielded uniformed policemen in Manila on a 24-hour, three-shift basis.

Cabrera said that at any given time of the day or night, there are 100 uniformed police-

men in the field, augmented by 50 plain-clothesmen.

The mayor said that since there are four Manila districts, the 100 lawmen per district are "spread quite thinly."

Asked by newsmen what precautions have been made to obviate abuses by secret marshals, Cabrera said these crimebusters are told to keep their cool, not to panic and to apply such force as is necessary to prevent harm to themselves and the citizens.

Operatives of the Western Police District (WPD) anti-organized crime task force

"crimebusters" arrested yesterday three jobless youths after a snatching spree in Paco, Manila.

Lt. Col. Saturnino C. Herrera, WPD Station 5 commander, said those arrested were Jose A. Galang, 19, of 1913 Anak Bayan St., Paco; Rommel A. Garcia, 20, and Elmer C. Canete, 17, both of Singalong, Paco.

Herrera said that the three were charged before the Manila city fiscal's office after they were positively identified by their victims in a police lineup.

Investigation showed that Galang allegedly snatched a gold-

necklace of Zenaida de la Cruz, 52, a retired schoolteacher, while walking at around 8:30 a.m. along President Quirino Ave. in Paco.

Later, Anita N. Bautista, 31, was gassing up her car in a gas station also along Pres. Quirino Ave. when Garcia reportedly darted toward her and grabbed her envelope containing P270 cash.

Galang and Garcia were apprehended by Det. Robert Palisoc.

Canete was nabbed shortly before 10 a.m. after snatching a gold-necklace worth P1,500 inside a passenger jeepney cruising along Dart St., Paco.

#### Proregime Daily Support

Manila BULLETIN TODAY in English 11 May 85 p 6

[Editorial]

[Text]

**S**HOULD the police kill a man simply because they suspect him to be a hoodlum? Should they kill a criminal fleeing from the scene of the crime?

Since policemen have studied criminal law, many of them being in fact members of the bar, they know the answers to such legal questions. But action does not necessarily follow knowledge, as many should know by now. Many a time, the instincts that govern the police officer in the field are different from those of the stu-

dent in the classroom., because he is trained, among other things, to fight criminals.

One manifestation of this crusading spirit is the formation by the police of such groups as secret marshals and crimebusters. The purpose is to rid the city of a seemingly growing number of criminals.

One criticism against such groups is their propensity to kill, although in fairness it must be stated that a number of suspects are merely arrested.



That criticism stems from constitutional values, which include due process of law — "No person shall be deprived of life, liberty or property without due process of law..."

This value has become common sense which in certain situations yields the observation, What if the man killed by the police is not a criminal after all?

There is no inconsistency between due process and the so-called secret marshals or crimebusters. Crime can be fought even as the police stick to the letter of the law. If in their zeal to rid the city of hardened criminals the police should themselves break the law they would lose their effectiveness because they would be mistrusted by the people.

CSO: 4200/1069



5 July 1985

## PHILIPPINES

## DAVAO MARINE ON NPA ORGANIZATION, TACTICS, DISCONTENT

Manila BULLETIN TODAY in English 11 May 85 pp 7, 28

[Text]

*(Col. Rodolfo Biazon, born and bred in Pasay City, is a graduate of the Philippine Military Academy and is now with the Marines. He has been in the thick of the fight against insurgency and terrorism in the South. In this interview with one of our correspondents in Mindanao, he talks of ways to contain effectively the growing problem of insurgency in the country today. — The Editor)*

**DAVAO CITY —** The leftist insurgents have gained a foothold in this city and neighboring areas but their number is not big enough to threaten the security of the region at the moment.

This is the assertion of Col. Rodolfo Biazon, commander of the 3rd Marine Brigade which was dispatched to this city more than a year ago to help stabilize the peace and order situation in this city of more than one million people.

He admitted that the peace and order problem in Davao is real. The people are feeling its effects. And many well-to-do families have been leaving Davao City.

Biazon said the problem has been compounded by the increasing number of armed partisans (New People's Army) units of the Communist Party of the Philippines which lately have expanded their armed operations and propaganda campaign.

"They have been creating troubles for us but there is no way they can run-down our military units," Biazon said. "They are waging a guerrilla war because their units are still ill-trained, ill-equipped and ill-organized."

But, of course, he added "there are times when they can master enough strength or consolidate somewhere and show some military presence by staging mass attacks on selected targets. They can choose the time, the place and the exact target... but still, they are weak militarily."

The Pasay City-bred colonel cites, as an example, the withdrawal of 124-man MRGU (main regional guerrilla unit) from his area or front after a recent setback at the hands of the crack marines. The MRGU have now shifted their operations or activities to Region 12 (North Cotabato) and up in North Davao from the Calinan-Baguio areas in Davao City, Biazon said.

"What is left in my area is the so-called special political group or propaganda elements of the CPP," he said.

These consist of (1) SLT (semi-legal team) — a small group of from three to five armed men; (2) SYP (Sandatahang Unit Pangpropaganda) — a small group of from seven to 15 men armed with sophisticated weapons and; (3) PRC (barrio revolutionary council) — actually a shadow barangay government which is their answer to the barrio or barangay council.

According to Biazon, the CPP propaganda groups infiltrate the barangays in both the rural and urban areas, the student movements, and the labor organizations or workers groups. The SLTs conduct teach-ins with imperialism, capitalistic feudalism and fascism as the main topics. Then, they ride on valid issues against the government to gain the support of the people.

Biazon said that in infiltrating labor unions, the SLT instigates and even steer labor-management conflicts by "raising the expectations of the laborers, inducing the laborers to seek more benefits and make even unreasonable demands from

management." Clearly, he added, "the object of labor infiltration is to create more discontent among the workers."

Somehow, they have succeeded in Davao. In fact, a number of small companies have folded-up because of labor-management problems, said Biazon.

Members of the SLT are mostly young people who easily can gain acceptance in the community because of their youth, their enthusiasm and obvious enthusiasm for the cause or goals they espouse, he said.

When the SLT successfully infiltrates a barangay and muster enough influence on the residents, a revolutionary committee takes form and a shadow government comes into existence. As a matter of fact, in areas that are under the influence of the NPA, the BRC is already supplanting the functions of the barangay government.

The SYP, on the other hand, is designed to intimidate the residents by conducting "selective terrorism" to force the people to support, financially, the NPA, he said. Selective terrorism is the summary execution, sometimes done in full view of the public, of persons, usual-

ly barangay officials who refuse to lend support to the NPA. The primary mission of the SYP is "propaganda by means of intimidation and selective execution."

On the dreaded sparrow units, the liquidation squads of the NPAs, Biazon said that its original objective was "arms-collecting through liquidation of armed policemen and soldiers. However, "today, these units kill just anybody, particularly in urban areas. Their purpose is to create disorder and chaos."

Biazon believes that many of the NPA recruits or members do not understand communism at all. Even the so-called armed regular groups do not believe in communism. "They just want changes in society and they are desperate and frustrated. Joining the NPA seems to be the only alternative left for them."

Biazon considers "disconcerting" the fact that the issues raised by the legitimate opposition groups against the government are the same issues that are being vigorously espoused by the Community Party of the Philippines.

He postulates: "What we need today is a political opposition group that is strong, credible and

responsible... it must publicly define what they stand for... Publicly, they must denounce communism, the NPA. They must lead the sectoral opposition away from the communist propaganda."

As for the military, Biazon said "it must identify itself with the masses as "protector" not as "oppressor." He adds: "If we can only eliminate soldier-abuses, then our soldiers can penetrate the masses and get them to cooperate and defeat the communist movement."

"The best thing to do at this stage of the game, is for government to reduce the issues raised against it... We must achieve economic recovery... We must have to reduce the discontent of the people, of the unemployed."

Col. Biazon may be waging a quixotic battle against the insurgency in Davao, but he is proving to be more effective than the bullets of a thousand troops. His visible weapon is not his sidearm, but an understanding and sincere heart. He is not feared; rather, he is respected even by the enemy. He believes that the more effective way to defeat the enemy is to win him to your side, in your belief in the democratic ideals. (RCC)

PHILIPPINES

AGENCIES DISAGREE OVER USE OF JAPANESE GRANT

Quezon City ANG PAHAYAGANG MALAYA in English 17 May 85 p 3

[Article by Benjie Guevarra]

[Text]

The National Economic and Development Authority is meeting strong resistance from the Ministry of Agriculture and Food on its plan to divert to three government projects one-sixth of the peso proceeds of a P380-million Japanese commodity grant intended for national productivity programs.

A high-ranking MAF official said the ministry will reject the NEDA proposal on Tuesday, when both agencies are scheduled to meet to discuss the status of the Philippines-Japan food production program totalling 2.5 billion yen - about P380 million in pesos - this year.

Under the program the Japanese government has been donating to the Philippines since 1976 an estimated P380 million worth of fertilizers, pesticides and farm machineries yearly through the National Food and Agricultural Council.

This year, the Japanese donations are in the form of chemical fertilizers, particularly urea, triple 14 and ammonium phosphate, which the MAF sells through the major fertilizer firms. The sales proceeds can then be used for the ministry's production programs, especially in rice, corn, vegetables and animal feedgrains.

NEDA has reportedly proposed the rechanneling of P64.1 million of the Japanese grant's peso proceeds to three non-MAF projects. These include P25 million for a national irrigation administration (NIA) project, P22.5 million for the Sto. Nino integrated farming system program of the Farm Systems Development Corp., and P16.6 million for the Ministry of Human Settlement's "Pagkain ng Bayan."

The three NEDA projects will "practically eat up our funds," protested the MAF official. He added that the peso proceeds of the Japanese

grant is actually the "seed money" for the ministry's 4 major production programs.

He said MAF will suggest that NEDA look for other fund sources since the Japanese government will most likely side with the MAF and reject the NEDA proposal.

He claimed the Japanese negotiators were already "taught a lesson" in 1981 when a NEDA project funded by the grant's proceeds never materialized.

NEDA had reportedly cornered a portion of the fertilizer donations in 1980 to finance several projects of the National Council on Integrated Agricultural Development.

But instead of abiding by the agreement to sell the fertilizers in Cagayan Valley, NEDA allegedly sold the stocks to sugar planters in Negros Occidental.

The MAF official claimed the Japanese grant was never monetized since the NEDA failed to recover the fertilizer loans from the distressed sugar planters.

CSO: 4200/1087

PHILIPPINES

ARTICLE EXPLORES CAUSES OF LABOR MILITANCY

Quezon City VERITAS in English 5 May 85 p 17

[Article by Gigi S. Oyog]

[Text]

**U**NLESS events change their course, labor ranks made restive by the economic crisis in 1984 may be driven to greater militancy this year.

Last year, labor unrest manifested itself in 282 strikes, the biggest number since 1981, when martial law was lifted. But trends indicate 1985 may be an even busier year on the strike front. According to the statistics from the Ministry of Labor and Employment, 88 actual strikes were filed from January to March this year involving 23,270 workers. This is a 38 per cent increase from the 64 actual strikes filed in the same period last year, involving only half the number of workers. Five million manhours were lost in 1985, compared to the two million manhours lost in 1984, a 130 per cent increase.

As of mid-April, 60 strikes were still pending while there were only 23 strikes pending at the end of April last year.

Of the 88 strikes called in the first quarter of 1985, 48 cited alleged violations of labor standards involving such issues as allowances, bonuses, and wage orders. Indeed, a constant complaint of workers is that their salaries can buy less and less, even if inflation rates have officially gone down from 50 per cent in late 1984 to 40 per cent in February. According to a research paper by the Trade Union Congress of the Philippines,

the minimum wage now pegged at P57.08 can only cover half of the daily needs of a family of six. The Kilusang Mayo Uno on the other hand demands a 25 per cent increase in wages. Both demand that employers strictly comply with wage orders. According to MOLE, if 1978 wages of P16.28 were worth P16.28 then, the present minimum wage of P57.08 is worth only P17.16, using 1978 figures as base.

**U**NEMPLOYMENT is another source of distress.

According to MOLE figures based on voluntary reports on retrenchment moves made by employers, a total of 17,658 workers were permanently and temporarily laid off between January and April 15, 1985. Figures provided by the National Census and Statistics Office, however, paint a grimmer picture. For the last quarter of 1984, the NCSO estimated that some two million Filipinos were unemployed. By January 1985, about three million out of a total labor force of 20.59 million may have been out of work, registering a precarious 14.66 per cent unemployment rate.

The oversupply of jobseekers unwittingly serves to soften up militant labor unions. But far from buckling down, KMU demands a one-year moratorium on

lay-offs to ensure security of tenure among permanent employees.

Another demand is that authorities put a stop to what the KMU calls "trade union repression." In mid-1984, three workers died and countless others were injured in separate incidents of picketline violence, compelling KMU leaders and officials of the umbrella organization *Pambansang Koalisyon ng mga Manggagawa Laban sa Kahirapan* (PKMK) to seek a dialogue with MOLE officials. What resulted was a new set of guidelines agreed to by MOLE, labor, employers and the military to govern the conduct of all parties in handling strikes and pickets.

**L**EADERS of rival labor centers KMU and the TUCP say they share common concerns, including the repeal of RPs 130 and 227. They part ways, though, when it comes to the approach to take when dealing with government. While the TUCP has stuck to the "rule of law," the KMU and the PKMK have gone to the streets, even mounting coordinated strikes by regions. Because of their militancy, the KMU and the PKMK, more than the TUCP, have emerged in the public mind as the champions of workers'

rights and welfare.

Atty. Ernesto Herrera of the TUCP concedes that the militant moves of the KMU and the PKMK have gotten them propaganda mileage, but he claims that "We may be silent but certainly no less effective in strengthening our own trade union movement."

Yesterday (May 1) at least, unlike the previous years' celebrations, TUCP did not invite President Marcos and First Lady Imelda Marcos to its indoor celebration of Labor Day. Just like the KMU and the PKMK, the TUCP staged a march and rally, with observers noting this may be the TUCP's move to distance itself from Malacañang.

Herrera adds: "Labor Day is our (workers') exclusive affair and we have decided to use this occasion to have a dialogue with our own members." He says that the First Couple could very well announce to the entire nation whatever packages may have been prepared for the country's laborers, if any. But even this annual bow to labor's demands may not be forthcoming. The government can ill afford any more economic concessions, another proof of workers' contention that when hard times come calling, it is labor who gets hit first. — GIGI S. GYONG

CSO: 4200/1041



PHILIPPINES

PAPER REPORTS IMF 'MEDDLING' IN BIR OPERATIONS

Quezon City ANG PAHAYAGANG MALAYA in English 18 May 85 p 3

[Article by Erwin Tulfo]

[Text]

The uneasy working relationship between officials of the Bureau of Internal Revenue and an International Monetary Fund team monitoring its activities erupted into open hostility yesterday after the IMF team recommended the abolition of a BIR unit.

One of BIR's top three officials of the BIR, upset by the IMF team's recommendation, called it "unwarranted meddling" in the bureau's affairs and protested that IMF intervention in organizational matters was not included in the agreement which authorizes the team's involvement in BIR operations.

The BIR officials, who asked that he not be identified, also said the recommendation will mean the loss of jobs of about 40 personnel of the bureau's Sector Operations Service (SOS) which the IMF team wanted abolished.

The team's recommendation was pre-

sented during a meeting held yesterday morning between the team and BIR Commissioner Ruben Ancheta, Deputy Commissioner Romulo Villa and Tomas Toledo, and regional directors of the BIR to assess the bureau's tax collection performance.

The BIR official told Malaya the IMF group wanted the SOS abolished "to lessen bureaucracy and red tape" in the bureau. The unit and some of its personnel have figured prominently in controversies, which has been ordered investigated by top BIR officials, involving the "hijacking" of tax investigation cases allegedly by SOS officers, eliciting protest from regional revenue officials who had jurisdiction over these cases.

Among the SOS' function is the investigation and review of tax cases from among the BIR's regional offices. The unit was created by President Marcos under a letter of

instructions issued last year.

The IMF group, the official said, wanted the tax investigation and review to be handled by the regional offices under which they belong to prevent delays in their resolution and anomalies such as case "hijacking."

It was also gathered by Ancheta had indicated that despite being chief of the bureau he could not act on the IMF proposal but would still have to consult Finance Minister Cesar Virata.

He said he and other top BIR officials will meet with Virata next week to discuss a proposal from the IMF to pattern the BIR's organization and operations after the Internal Revenue Service (IRS) of the United States.

The IMF team has been here since early this week for a review and assessment of operations of the BIR, particularly its tax collection performance. IMF involvement in the operations of the country's premier revenue collection office has been allowed by the Philippine government in compliance with a condition set by the international institution for the grant of emergency loans to bail out the crisis-ridden economy.

The loan agreements have been set for signing on Tuesday.

PHILIPPINES

VIRATA SAYS LENDING RATES TO LEVEL OFF

Manila BULLETIN TODAY in English 15 May 85 p 23

[Text]

Lending rates which have been hovering in the range of 38 percent during the past months are expected to level off at 20 to 22 percent towards the end of the year, according to Prime Minister Cesar Virata.

The projected decline in interest rates would follow a similar trend in inflation which Virata foresees at 15 percent by December on a year-to-year basis.

At that level, many businesses would be able to operate and demand for foreign exchange is expected to pick up, he added.

The prime minister observed that at present, businesses have not resumed importations resulting in slack demand for foreign exchange.

This was the reason for the unusual strength of the peso.

As far as foreign exchange was concerned, Virata said a number of commercial banks were in a long position and the Central Bank has been able to improve its reserve position.

A key to the improvement in both inflation and interest rates is the scheduled signing of new money and trade facilities on May 20.

Specifically, of importance to the business sector is the resumption of \$3 billion in trade credits which had been cut off by international banks since 1983.

Availment of the renewed trade lines, according to Virata, is expected towards the end of June or early July.

He added, however, that there was the possibility that local banks would initiate arrangements with their foreign correspondent banks so that they could start drawing on the facilities immediately after the May 20 signing of the agreements.

According to Virata, about 50 percent of the trade credits would be used for importations and the rest would be for servicing of contractors and exporters.

"We are trying our best to shift the financing of exports through this facility," he said.

Under the scheme, exporters would be able to enjoy a lower interest rate and thus enable them to be competitive in their respective markets.

PHILIPPINES

PAPER REPORTS CONTINUING RIGHTS VIOLATIONS

Cebu City VISAYAN HERALD in English 10 May 85 pp 2, 4

[Text] Political killings, torture and terrorism are spreading like a wildfire in many parts of Agusan del Sur as military and paramilitary personnel step up their campaigns against dissidents and rebel sympathizers.

Precise figures of persons killed in violent incidents have yet to be established, but according to TFDP-Mindanao death toll in Agusan de Sur alone (military, rebels and unarmed civilians) may have reached 200 since Jan 1.

In a church-backed press conference held this April at Bayugan, Agusan del Sur, victims of political violence narrated harrowing experiences in the hands of the military before a group of lawyers, local and foreign journalists, religious, lay workers and other "cause-oriented" organizations, while "voluminous" signed documents were distributed to back up witnesses' testimonies.

Atty J. Paredes, head of the panel, said that evidences of "credibility breakdown" among the military in Agusan del Sur are surfacing based on documented and undocumented cases of extra-judicial executions (salvagings), illegal arrests, tortures, massacres, harassments and maltreatments allegedly perpetrated by military, Civilian Home Defense Force (CHDF) and religious fanatic groups.

Esperanza Mayor Alfredo Vicente, who willingly accepted the invitation exposed alleged government corruption and military abuses and atrocities, and vowed to support the victims. It was also learned that people in Esperanza and nearby towns have long been complaining about "corrupt and indisciplined" PANAMIN civilian home defense force (CHDF) elements reportedly under the command of Esperanza Vice-Mayor Lavi Manpatilan.

SALVAGING. Last April 8, residents of Sitio Talakogon, San Luis, Bayugan found four bodies of male and female victims in a river, bloated, bearing tell-tale signs of severe torture raked with gunshots. The victims, one of which was headless, were believed to be salvaged by a group of notorious CHDF troopers operating in the area.

William Aguinaldo, 25, of Sitio Kahian, Kapatungan, Trento was believed to be murdered by paramilitary and religious fanatic elements recently. His body was fished out of Simulao river, neck was cut, stomach slashed and chest riddled with bullets.

On February 4, Guillermo Sumatra Sr., 45, and his son, Roberto, 23, all businessmen from Guadalo, Esperanza, were killed by militarymen in barangay Nato, Esperanza. Their helper, a certain Pedro Placa, was roughed up by the same men. The victims were said to be NPA supporters.

Lt Gen Fidel V. Ramos immediately responded to Melecia Sumatra's (the widow) letter saying that he (Ramos) has already directed Brig Gen Munoz, Commander of RUC 10 to investigate the alleged killing. At presstime, the suspects, identified later as Pfc Efren Pedalino, Virgilio Banbona and Eddie Porras, have not yet been arrested.

**MASSACRE.** Seven persons were reported massacred by a group of armed men believed to be members of the Civilian Home Defense Force (CHDF) in Maygatasan, Bayugan, late last year. The victims were suspected of being NPA members and supporters. Few days later, another seven farmers were killed in Noli town, reports said, by the same men involved in Maygatasan massacre. Witnesses said their bodies were displayed along the highway to scare off people who support the rebel activities. In the town of Alegria, nine persons were shot to death by suspected members of the civilian home defense force (CHDF). Reports did not say, however, whether the killings took place separately.

**BOMBING, EVACUATION.** In Bayugan town, elements of the 23rd Infantry Battalion launched a series of heavy artillery bombings on areas suspected as lair of insurgency.

Last February 2, the military pounded barangay Mt Olive, 17 kms east of town, with at least 15 bombs, reported JPAG (Justice and Peace Action Group--Agusan del Sur). The report said over 35 families from Sitious New Cebu, Cagbas and Mt Zion, including Sitio Cogonan, Hamogaway, fled from homes shortly after the bombing incident.

What must have spurred the shelling on the areas was the ambush staged by an armed group believed to be New People's Army (NPA) guerillas on a group of soldiers and ASELCO employees aboard the Agusan del Sur Electric Cooperative truck at Sitio Grace, some 2 kms from Mt Olive early that day. Six government troopers and an ASELCO employee were killed, while seven other soldiers and three employees were critically wounded.

CSO: 4200/1080

PHILIPPINES

OFFICIAL UNION ASKS RAMOS' AID IN LABOR DISPUTES

Cebu City VISAYAN HERALD in English 12 May 85 pp 1, 4

[Article by Letty Suico]

[Text] Trade Union Congress of the Philippines head Democrito Mendoza sought the assistance of Acting Chief of Staff Gen Fidel Ramos to solve the problems of labor dispute involving a series of violence in picket lines.

In a letter addressed to Ramos, Mendoza cited the series of trouble which erupted recently between labor and management in successive strikes not only in Cebu but also in Metro Manila. Troubles involved violence and even death of laborers manning the picket lines.

The TUCP head explained that troubles like this in picket lines should not happen in this country, which is the reason why he is seeking for plans and steps to protect and secure the lives of laborers who are holding peaceful picketing. He informed Ramos that TUCP is prepared to meet with him and other leaders to find solutions to the problem.

He pointed out that the lack of implementation of guidelines about picketing and injunction which was issued last Aug 16 and circular No 2 of the Ministry of National Defense is one of the reasons of picket line trouble.

Only days after Mendoza's letter was mailed, one striking worker in Pasay City was allegedly shot by a personal bodyguard of the owner of the strike-bound factory in front of several witnesses. Earlier, no less than 20 striking workers were injured and wounded in dispersal operations which allegedly involved Metrocom and Pasay City policemen who reportedly joined the scabs which broke up the picket line.

CSO: 4200/1080



PHILIPPINES

DIVISION PROPOSED FOR DOUBLED DAVAO BARRIO

Davao City PEOPLE'S DAILY FORUM in English 10 May 85 pp 1, 6

[Article by Tine P. Garalde]

[Text] "The division of Agdao into several barangays depends much on the desire of the barangay officials and residents of the area."

This was the statement issued today by Vice Mayor Cornelio Maskarino in an exclusive interview with Forum in his office at the Sangguniang Panglungsod (SP).

Maskarino said that it would be a futile effort for any Sanggunian member to sponsor a resolution dividing Agdao into several political entities if, later on, in a plebiscite, the barangay officials and their constituents would campaign against the division.

The proposed division of Agdao came in the wake of recent developments that made the area a hotbed of subversion and haven of other bad elements in the society.

The proposal to divide Agdao into several barangays was believed to be the ultimate solution to restore peace and hasten economic development in the area.

The proponents of the concept viewed Agdao as difficult to control due to its vastness, and therefore the maintenance of peace and order is hard to maintain.

It is also the thinking of the proponents that essential services of the government can reach Agdao if it were to be divided into several barangays.

So far, no one in the Sanggunian has yet introduced a resolution for the purposes.

CSO: 4200/1080

PHILIPPINES

'EL DIABLO' ABUSES REPORTED IN DAVAO ORIENTAL

Davao City PEOPLE'S DAILY FORUM in English 12 May 85 pp 1, 6

[Article by Pris Rojo]

[Text] Thirty-three active members of the Philippine Constabulary, one retired PC Lt Colonel, Ex-PC Captain, a lawyer, bank assistant manager and ex-governor, are named organizer, adviser, members, god fathers, supreme provincial commander and chairmen of the different stirring committees of the reactivated El Diablo now known as GUARDIANS in Davao Oriental. This was learned from Lt Col Carlos Pena, PC-INP Provincial Commander of Davao Oriental in an interview with him yesterday, at his Mati office.

Pena named Captain Gil Taojo (reverted) as the organizer and adviser of the organization who is presently employed as Chief Security Officer, Davao Timber Corporation (DATICOR), at Mati, Davao Oriental; Retired PC Lt Col Salvador Sayson, presently employed with Mrs Flordeliz Inigo as Manager of Lopez-Inigo Farm at Brgy Panombon, Mati, Davao Oriental; Atty Salvador Bejis, MB/President, IBP, Davao Oriental Chapter; Pascual Raval, MB/Asst Manager, Mati Rural Bank; and Ex-Governor Lopez, MG/Civic Spirited Citizen.

The rest of the 33 who are all active members of the PC-INP of the province whose GUARDIANS ranks ranges from members, committee chairmen, Provincial Supreme Commander and God Fathers were not specifically named by the Provincial Commander.

While this discovery was exposed last February 8, 1985, various reports of concerned citizens of Mati were fused into one communication and sent to Minister Juan Ponce Enrile of the Ministry of National Defense after the Regional PC INP Command failed to act on them, purporting to the fact that Sayson and Taojo and their arm band were committing acts unworthy of the honor and prestige of former PC officials.

However, on February 23, last, Enrile answered that "according to the report submitted by the military, a certain Sayson and Taojo went to Mati during the campaign period of the last Batasan Elections of May 14, 1984 and offered their security services to ex-Governor Leopoldo Lopez but Mr Lopez, according to Enrile, "refused to accept their services and it goes to say that the presence of both in the place is highly improbable."

Immediately upon receipt of Enrile's answer, the same concerned citizens of Mati whose names will be mentioned later in this yarn, signed joint and individual affidavits to substantiate their complaint and disprove the contention of Enrile that Sayson and Taojo could not be possibly in Mati.

On April 1, 1985 Eduardo Padilla who is a lineman of the Davao Oriental Electric Cooperative (DORECO), went to Panombon, Mati, to fix a faulty electric transformer and while he was about to climb the post, Lt Col Sayson who was heavily drunk approached him saying that the defect of the transformer is intentionally manipulated by the DORECO men themselves. When Padilla was about to answer the charges of the retired Lt Colonel, he was bodily attacked and mauled by the liquor laden ex-Military official. Sayson was with heavily armed men and Padilla had no other course but to immediately evade from further harm.

Another sworn statement said that on April 9, 1985, at the Seaside eatery of Mati, Sayson was insulting the Provincial Warden of Davao Oriental with challenging statements.

The gist of the affidavits disclosed the incidence since July 1984 which were wantonly committed in Mati, Davao Oriental, by Sayson and his armed band specifically in barangays or sitios. In sitio Tamia, Don Martin Marundag, two cows of one Edgar Lopez were shot and killed by Sayson and his heavily armed band. In Sitio Gunaan Pagsilaan, Don Enrique Lopez, the goats of John Lopez were also shot by Col Sayson and his henchmen.

Sayson and his men were also responsible in fencing the lands of Barangay Captain Roger Caparas and Mrs Suela Rocamora Carbonel letting it appear to be a part of the estate where he is managing, without prior relocation survey showing serious breach of law and justice but the rule of guns and bullets.

Sayson and his men who are said to be members of the lost command, are also charged by the affiants to be shooting cows, goats, pigs and chicken in the vicinity not to mention the manhandling of coconut gatherers who refused to sign affidavits for fear of reprisals.

Complainants said they sent their answer with their aforementioned affidavits, to Minister Enrile, more than a month ago, but there is no action yet taken up to this writing. They are afraid that another self-serving report favoring Sayson and his armed band will again be submitted to the Minister from the concerned military personnel in the Region.

Meanwhile, Provincial Commander Pena assured that the peace and order situation of Davao Oriental is very much normal.

CSO: 4200/1080

PHILIPPINES

EDITORIAL VIEWS DEPUTY DEFENSE CHIEF'S INSURGENCY FACTS

Manila BULLETIN TODAY in English 13 May 85 p 6

[Editorial]

[Text]

**N**EWLY appointed Defense Deputy Minister Carlos B. Cajelo gave his first contribution to the solution of the insurgency problem by stating some facts which to our knowledge had not been brought out before.

He said, for example, that many NPA rebels wanted to surrender but were afraid to come out for fear of being liquidated. He said many NPA's in his province of North Cotabato had been killed when they returned to their respective barangays.

He said in his travels in Mindanao he found out that not all rebels were communists and that many of them were

merely forced to join the movement.

Deputy Minister Cajelo knew what he was talking about because he was from Mindanao and he had the probity to state the facts as he saw them. What he stated before the high officers of the Armed Forces should go a long way toward solving the insurgency problem.

Problem-solving on the scale involved in insurgency requires factual accuracy and the gathering of facts should not be colored by preconceived notions of how the problem ought to be solved.

In our time, govern-

ments have been plunged into disaster simply because they either ignore some vital facts or they do not know all the facts on which to base their decisions. Whenever action is based on faulty information, solution to the problem becomes more difficult than it ought to be.

The facts stated by Mr. Cajelo suggests the need for a government program on how to deal with rebels who have either surrendered or would like to surrender. Offhand, we can say that such people should not be killed by the military or other government forces.

PHILIPPINES

PALAY HARVEST USHERS BOHOL AGRICULTURE RECOVERY

Manila BULLETIN TODAY in English 16 May 85 pp 1, 9

[Article by Brenda Piquero Tuazon]

[Text]

Bohol Gov. Rolando Butalid reported yesterday a palay harvest of two million cavans worth P225 million for the province in spite of the damage wrought by typhoon Nitang in September last year.

The typhoon which rendered half of Bohol's 815,000 population homeless, destroyed all of the province's palay and rice warehouses together with their contents.

The typhoon likewise knocked down four million of Bohol's six-million coconut trees. The remaining two million trees lost their branches and fruits and were expected to be unproductive for years.

Despite the devastation, Bohol's copra harvest income stood at P40 million, Butalid said.

During a good year, Bohol produces some 80,000 tons of copra per year worth P250 million.

"And also during a good year, when we don't suffer from any typhoon or any dry season, Bohol produces four-million cavans of palay twice a year," Butalid said.

Rice and coconut, the two major agricultural industries of Bohol, generate an income of P.5 billion a year for the province, the governor said.

The agricultural windfall, according to Butalid, has helped stabilize the food situation of Bohol.

The 200,000 sacks of rice which Minister Jesus Tanchanco of the National Food Authority (NFA) sent to Bohol immediately after the typhoon has been held in reserve in the NFA stockpile.

All the other root crops, sweet potatoes, banana, cassava, yam and cacao which were all wiped out by typhoon Nitang, were immediately replanted by

Bohol's farmers.

At the moment, there are now two-million bananas that would be harvested before December, Butalid said.

Some six thousand hectares of Bohol's agricultural land have been replanted to cassava and sweet potatoes by the farmers themselves, he said.

The harvest is expected to yield 250,000 tons of cassava with a guaranteed value of P100 million by the Philippine Starch Industrial Corporation, he said.

Butalid gave credit for Bohol's increased productivity to the people's determination to fight hunger and poverty by hard work.

"We believe that disunity, political bias and subversion are counterproductive, having no place in nation building. Working hard to survive is our only solution to our economic problems," Butalid said.

CSO: 4200/1080



PHILIPPINES

COCONUT EXPORTS EXPECTED TO INCREASE

Manila BULLETIN TODAY in English 13 May 85 p 23

[Article by J.C. Concepcion]

[Text]

The volume of exports of coconut products for April is expected to increase substantially after a first quarter of disappointingly low shipments, the United Coconut Association of the Philippines said yesterday.

UCAP said first quarter exports of coconut products dropped by 51.8 percent volume-wise and 54.7 percent value-wise as foreign exchange earnings reached only \$84.522 million from \$309.56 million during the first quarter last year.

The Philippine Coconut Authority earlier came out with statistics which showed the big drop

in export volume and earnings during the first quarter of the year.

The huge drop in export volume and value was attributed mainly to the very low supply of copra.

UCAP, however, estimates that April export shipments will nearly double to 103,000 metric tons copra terms from the March level of 56,000 metric tons.

The volume of coconut oil production in April has increased nearly four times from the March level, and is being relied upon for the expected big increase in export volume and value for April, UCAP also said.

UCAP statistics

showed that the United States remained the major buyer of the country's coconut products as it bought a total of 71,463 metric tons, copra basis, of different coconut products compared to 159,873 metric tons during the first quarter last year.

Products that were imported by the US included coconut oil, desiccated coconut and fatty acid.

Japan emerged as the third biggest buyer of the country's coconut products but the bulk of its purchase was in the form of finished products in the form of fatty chemicals. (J.C. Concepcion)



PHILIPPINES

COFFEE EXPORTS REACH \$208 MILLION

Manila BULLETIN TODAY in English 13 May 85 p 25

[Text]

The Philippines has earned a total of \$208.6 million from coffee exports since it became a supplier-member in 1980 of the International Coffee Organization (ICO) based in London, according to the Bureau of Foreign Trade (BFT).

The country's share of the export quota has been increasing steadily from 200,000 bags in crop year 1981 to the current quota of 498,000 60-kilo bags, the BFT said.

The local coffee exporters association traced the increase in the Philippines' quota to the improvement of the quality of local coffee beans and the strong bargaining

being made by the government and industry representatives with the ICO.

For the current crop year which began on Oct. 1, 1984, the Philippines is expected to earn at least 65 million dollars from its quota which has been allocated to 36 exporters by the certifying agency of the ICO under the Ministry of Trade and Industry (MTI), the BFT said.

The exporters are expected to complete shipments of their quotas by the end of the coffee year in September of this year, due mainly to the present bumper coffee crop and the relatively more attractive prices in the world market, the BFT added. (PNA)

CSO: 4200/1080

PHILIPPINES

IMPACT OF FOOD PRICE ROLLEBACK ANALYZED, BELIED

Quezon City VERITAS in English 5 May 85 p 14

[Text]

**F**EW consumers were actually heartened when the government announced last March that prices of food have declined because of the 11 per cent rollback in fuel oil prices.

Few could also feel the impact of Lilia de Lima's (director of the Bureau of Domestic Trade) report that prices of goods — except for chicken — have steadily remained within their previous price ceilings.

*"Kahit sabihin bumabe na ang presyo, ang reklamo ng tao ay ang kawalan ng pera para pakinabangan ito,"* explains Mary Mendoza of the Consumers Federated Group of the Philippines. For instance, the unemployed and the laid-off worker could hardly take advantage of the price decline since he has little or no money to buy things with. Bargains don't mean anything for someone who has already lost his ability to buy. The consumer can only ask: can he afford it or not?

A lot of "bigger problems" like devaluation and inflation still tip heavily against any sign of restoring the peso's purchasing power to previous levels, says Atty. Mary Concepcion Bautista of the Kapitanan ng mga Mamimili ng Pilipinas, Inc.

Fernando Hilario of the Forum for Rural Concerns debunks government claims that prices of food went down because of the fuel rollback. It will be recalled that last March 19, a daily paper reported that President Marcos told Minister of Trade and Industry Roberto Ongpin "to link the effects of the rollback to the prices of basic commodities." Hilario asserts that prices of certain food items are low, not because of the rollback but because they are in season. Interviews with housewives and market vendors confirmed this. The price of fish for instance has gone down because April to August are peak fishing months. But delivery costs of the produce, in spite of the rollback have re-

mained the same, vendors added.

"What has bearing on food prices are the cost of producing them. Unless the cost of production inputs — fertilizers, pesticides and feeds are brought down, there cannot be a significant and long-term decline in the price of food. High cost of these inputs are but symptoms of the prevailing monopoly of foreign enterprise and the heavy dependence on imported components for production inputs," says Hilario.

He adds that even the current price decline is not something to gloat about because the decline has not been due to the "normal" play of market forces. Prices have decreased because of the lack of consumer demand to boost the prices.

**S**ELLERS of perishable items like fruits and vegetables have to sell their goods at low prices to make their stocks "move." Hence, prices are low because somebody —

the vendors — have to take a loss.

Hilario believes that “any long-term price policy must be on the basis of optimizing production with all participants getting what they deserve — without anybody taking any loss.”

The Citizen's Alliance for Consumer Protection (CACP) also harbors doubts that the fuel rollback and the decreased prices of food could even temporarily improve the nutrition intake of the average Filipino. Fruits and vegetables may be in season but for most people, these items are still unaffordable.

According to a CACB report, computed market values (as per March 1985) of the required daily food intake of a family of six are still way below the take-home pay of the average wage earner. A person's daily intake according to the Food and Nutrition Research Council's nutrition recommendation would require P21 a day, while the National Wage Commission places it at P22.04 a day. A family of six needs from P125.32 to P132.24 a day or P3,822.14 to P4,033.15 a month. Contrast this with a National Census

and Statistics Office study which shows that the average Filipino family earns a little over P1,800 a month.

These figures merely establish the amount of food needed to sustain a family. Other necessities like shelter, clothing and medicine have not been considered. If added, the amount would reach P7,500. How then could one squeeze in all the basic needs from only P1,800, asks CACP. While some food items in wet goods have declined, prices of dry goods have remained steady — at an upward trend. — PLA

CSO: 4200/1041

PHILIPPINES

OIL IMPORTS TO CLAIM THIRD OF \$3 BILLION TRADE CREDIT

Quezon City ANG PAHAYAGANG MALAYA in English 9 May 85 p 3

[Text]

About one-third or \$1 billion of the \$3-billion revolving trade facility to be made available to the country in June will be allotted for oil importations by the country's three oil companies, Caltex (Philippines) Inc. president Amaury Gutierrez said yesterday.

The remaining \$2 billion will be divided among the regular importers of food, raw materials for garments manufacturing and similar enterprises, steel and other imported needs for industrial production, etc. which are specified in guidelines to be published soon.

Gutierrez said that

of over \$1 billion allotted for oil importations the lion's share of \$660 million will go to the state-owned Philippine National Oil Co. (PNOC). Caltex and Shell will get \$170 million each.

Following the decision of the National Commercial Bank of Saudi Arabia (NCB) to join the loan syndication, the signing of agreements for the \$3-billion trade financing and the \$925 million fresh money to be used in paying existing arrears has been set in May 20.

The utilization of the trade facility, however, could only be made in June at

the earliest because one of the conditions made by creditor banks for the draw-down is for the Philippines to first draw on the second tranche of the 615-million special drawing rights (SDRs) from the IMF which could be done only in June.

With the suspension of the trade financing oil companies are allowed by their suppliers credit of only 90 days, half the 180 days they used to enjoy.

These oil companies are negotiating for the full credit term of 180 days, anticipating availability of the new trade facility by June.

CSO: 4200/1041

PHILIPPINES

BRIEFS

**MARCOS DARED INTO EARLY POLLS**—There are no plans to hold a presidential election in 1986 or earlier but if the opposition insists, the President might accommodate them. The opposition is not certain that taunting will work with the President. He might just take them up on their dare.

[Text] [Manila PHILIPPINES DAILY EXPRESS in English 13 May 85 p 4]

**MUSLIM CODE OF ETHICS**—A new Code of Ethics binding all Muslim families in Metro Manila under the Royal House of Bandaraingad is currently being prepared by members of the caliphate and two working committees formed by Sultan Panangan Pangandaman. Upon completion of the initial draft of said code, a draft finalization committee will then codify all pertinent provisions of the proposed social document for purposes of printing and eventual distribution to all literate constituents of the sultanate. Members of the draft finalization committee include Dr A.S.H. Lacson, lawyers Omar Alam (Tausug group), Karim Panumpang (Maranao group), and Lundung Uka (Maguindanao group). [Text] [Quezon City ANG PAHAYAGANG MALAYA in English 12 May 85 p 7]

CSO: 4200/1069

THAILAND

THAI POSITION ON KHMER ROUGE DEBATED

Bangkok THE NATION REVIEW in English 25 Apr 85 p 5

[Text]

**ABOUT 30-40 political scientists and Foreign Ministry officials sat down for a frank discussion on the government's foreign policy towards Kampuchea in a closed-door seminar jointly organized by the Institute of Asian Studies and the Foreign Ministry on April 6.**

**The academicians were led by Dr Khien Thiravith of the Faculty of Political Science, Chulalongkorn University, while the officials were headed by Director of the Southeast Asian Division Surapong Jayanama and Director of the Policy and Planning Division Kasit P'romya.**

**The Nation today presents the first of a series on the debate, which was the first of its kind. Names of specific speakers are not identified in the excerpts published here, under an agreement with the organizers.**

**Some of the academicians participating in the seminar:**

- Dr. Apinya Ratanamongkholmas
- Dr Vidhya Sucharitthanarak
- Dr Chatritharom
- Associate Professor Orani Nuansuwan
- Prathumporn Watcharasathien
- Dr Khien Thiravith
- Dr Chullacheep Chinwanno
- Dr Surachai Sirikrai
- Dr Thanesarit Satavethin
- Dr Kriesana Waisamruaj
- Wuthisak Larbcharoensap
- Dr Niyom Ratammarit
- Dr Usa Balyok
- Pornpirom leumtham
- Dr Thira Nuchplam
- Dr Thammanit Waraporn
- Dr Sompong Chumak



FMO: Let me start our discussions with an introduction on the Thai policy towards the Kampuchean conflict. Our policy is essentially the ASEAN policy: We want to see a neutral, non-aligned and independent Kampuchea which poses no threat to her neighbours. Of course, ASEAN members may somewhat differ in their perspectives and approaches towards the Kampuchean situation, but the differences are confined to the same objectives and two basic approaches: the withdrawal of Vietnamese troops from Kampuchea and the right to self-determination for the Kampuchean people. They are based on our perception of the root cause of the Kampuchean problem: the Vietnamese invasion and occupation of the country in defiance of international norms.

Some critics have produced a number of arguments to invalidate the policy. The arguments that I have heard from various circles include border disputes between the Democratic Kampuchean regime (the Khmer Rouge) and Hanoi and the provocations by the Khmer Rouge which forced Vietnamese troops to march into Kampuchea. Vietnam has also claimed that the Vietnamese troops went into Kampuchea to rescue the Khmer people threatened by the Khmer Rouge regime at the request by the Khmer people.

Critics have also accused Thailand of helping the Khmer Rouge through her support for the Coalition Government of Democratic Kampuchea (CGDK).

The arguments are incorrect because the root cause of the problem is the use of force by one country to oust the legitimate government of another country in defiance of the international law on non-interference.

The allegation that Thailand is siding with the Khmer Rouge is not valid because our calls for troops withdrawal and self-determination clearly show that we are not for a return to power by the Khmer Rouge. But we think that if the Khmer Rouge are to be eliminated, the best way to do so is through UN-supervised general elections. From our stand, it is also discernable that ASEAN is not seeking a Kampuchea which is a capitalist or pro-ASEAN nation.

Of course, in the past, Thailand tried to buy time for two pro-Western regimes in Indochina. I think there is no need to expound on this point because as political scientists, you are all acquainted with the history of the Vietnam War. However, the situation has now changed and we are convinced that right now we don't have that sort of potential to do what we tried to do in the past.

We have recognized the communist regime in Vientiane and we don't necessarily hope to see a pro-ASEAN Kampuchea. Nevertheless, if we accepted the Vietnamese invasion and occupation as a *fait accompli*, we would in effect accept the wrong assumption that the Vietnamese went into Kampuchea to remove

the Khmer Rouge threat and protect the Kampuchean people. We would also be condoning the violation of the international law. In that case, how could we explain to the international community which has given support to our Kampuchean policy.

There is also a notion that Thailand should not get involved in the affairs by supporting the CGDK because, as the critics put it, the Kampuchean conflict is one between communist countries. It is true that the Vietnamese invasion climaxed the disputes between the Khmer Rouge and the Vietnamese communists and at the same time reflected the rift between China and the Soviet Union, but then we could not afford to stay aloof over the problem because otherwise, it would affect our national security. Furthermore, it is also hardly possible for Thailand to accept any solution which will entail residual problems: an unresolved refugee problem shouldered by Thailand and invitation for superpowers to step up their destructive rivalry in the region. That is because these residual problems will affect our national security and our economic growth and stability in the long run.

A: You raised an interesting point when you mentioned the idea that Thailand should not get involved in the Kampuchean conflict, which is intrinsically one between communist countries. The question is: why don't we let the communist community settle their own problems?

FMO: If we stay aloof, the security threat to our country will remain at the present level for a while, but then what we have been trying to ward off through our efforts in the past six years will finally come about. I am referring to the efforts by Vietnam to establish her absolute control and domination over Kampuchea. Of course, if that happens, the security threat to us will increase.

Some of you may want to argue why Thailand can tolerate the presence of 50,000 Vietnamese troops in Laos. What if Vietnam leaves 50,000 troops in Kampuchea? Can we accept that situation? The two cases are different. In Laos, the Vietnamese influence has been strong since the beginning until now and the close relations between the Vietnamese and Lao communist parties are quite different from the problematic ties between the Vietnamese and the Khmer Rouge. We will appreciate the point if we study the history on the different communist victories in Laos and Kampuchea. The degree of Vietnamese influence over the Lao communist party is far greater than that in Kampuchea. The Vietnamese presence in Laos has remained unchanged through the first and second Indochina wars until now. Hence, we recognized the Vientiane regime following the communist take-over in 1975 because we regard the Vietnamese presence in Laos an internal affairs between the two countries which legitimize the Vietnamese military

presence by virtue of a bilateral cooperation agreement.

But the case is different with Kampuchea where the Vietnamese military presence was unilaterally legitimized following the 1978's invasion of Kampuchea and the subsequent installation of the Heng Samrin regime. I am not saying that we agree to the Vietnamese military presence in Laos, which poses a degree of threat to our security, but we cannot treat the issue the same way we are opposing the Vietnamese military presence whose origin and development in Kampuchea is different from the case with Laos.

A: You mentioned a point about the Vietnamese plan to establish a Federation of Indochina. I wonder what evidence the Foreign Ministry has to subscribe to that line of thinking.

FMO: Well, there have been talks about the projected annexation of 16-17 northeastern provinces into the so-called federation. If I were an academician like you, I would cast doubts on it if it comes from officials of the Internal Security Operations Command (ISOC) or the Special Branch Division. I would have thought it a matter of alarmists and probably relevant to domestic political reasons. But we have our own evidence: a former French prime minister confirmed with Thai Ambassador to France Arun Panupong in 1979 or 1980 on the point. He said that when he was French prime minister, Vietnamese Prime Minister Pham Van Dong told him that the 16 northeastern provinces belonged to Laos. The French minister on sports and culture recently corroborated the point. Hence, as operatives, we could not afford to overlook the possibility or dismiss it as groundless.

As for the concept of the Federation of Indochina, you may recall that during the first Indochina War, Vietnamese patriots sought to set up a Vietnamese Communist Party but because of a resolution by the COMINTERN (Communist International), they set up the Indochina Communist Party (ICP) instead in 1930.

The Vietnamese have said that the concept of the Indochina Federation is an old idea nursed by the ICP, which later split in three national communist parties in the three countries. The Vietnamese have said that the concept emerged then because the struggles for independence during the period in the three countries were intertwined. That is understandable. Some people attributed the concept to the Ho Chi Minh doctrine, but I feel it is not clearly stated in the well-known doctrine.

Although, they now no longer refer to the term (the Indochina Federation), in every joint communique of the three Indochinese foreign ministers and in every joint Vietnamese-Lao or Vietnamese-Kampuchean statement, they

always emphasize the so-called "special relationship" of the three states. Is this special relationship the codename for the Indochina Federation? Whatever that means, they have been categorical that the special relationship means the security and survival of each state is interdependent on that of the other two states. According to official documents of the Vietnamese party on the special relationship, Vietnam reserves the right to advise the other two brotherly communist parties in Kampuchea and Laos on matters which may affect or involve security or the special bond tying them together. The "right to give advice" is open to various interpretations, but we as operatives believe that it is something similar to the Brezhnev Doctrine on limited sovereignty of East European countries, i.e. if and when a foreign affairs initiative to be taken by either Laos or the Phnom Penh regime should affect the security of Vietnam, Hanoi has the right to "give advice" that this is acceptable and that is unacceptable. I am not saying that Vientiane is subservient to Hanoi and that every action taken by the former must be dictated by the latter. But on some issues, Vientiane cannot take actions to serve its national interests. It depends upon the issues involved whether Vientiane is free to have its own way.

A: Is it correct for us to conclude from your explanation that we are against the integration of Kampuchea into the so-called federation and therefore, our Kampuchean strategy partly serves the purpose of preventing Hanoi from establishing the Indochina Federation?

FMO: Yes, this is part of our policy objectives.

A: Is there any necessity for Thailand to support the Coalition Government of Democratic Kampuchea (CGDK) openly?

FMO: We support the formation of the coalition government because the Khmer Rouge or Democratic Kampuchea lacks political credibility. As you know, the Vietnamese have been playing on the

notoriety of the Khmer Rouge in a bid to vacate the Khmer seat at the United Nations. Therefore, we had to support the formation of the coalition to keep the political credibility and viability of the legitimate government and the Kampuchean seat for the anti-Vietnam force.

Secondly, our support for the CGDK is not aimed at forcing the Vietnamese troops to leave Kampuchea through military means. It is unrealistic to wish that 40,000 Khmer Rouge guerrillas, 12,000 fighters of the Khmer People's National Liberation Front (KPNLF) and 5,000 Sihanoukist guerrillas would finally dislodge 170,000-180,000 Vietnamese troops from Kampuchea. We just want the existence of the resistance force to prevent the *fait accompli* and to establish a credible stalemate inside Kampuchea.

Of course, in the long run the stronger the resistance force will grow, the better it will be because that would put additional military pressure on Vietnam. The resistance forces cannot afford to drive out the Vietnamese troops but we want Vietnam to feel that she cannot win over through military means and that her way out of the impasse is to accept a political solution. Because of the rationales behind our support for the CGDK, we have to lend open support. If we did it quietly, then other countries,

would feel that there is something special in our mind. In fact, we don't have anything to hide. We have to support the coalition openly to drum up support for the Khmer government from the international community. We received the highest vote at UN over the Kampuchean conflict in the latest UN General Assembly and more than 100 UN members have supported the ASEAN-sponsored resolutions on Kampuchea for six consecutive years. This is due to our justifications and therefore, I don't see anything wrong for ASEAN to support the coalition openly.

If we shifted our position over the open support for the coalition government, our friends would cast doubts on our intentions. They may feel that our genuine positions are different from the principles to which we have committed ourselves all along. Whatever we are going to do, we must take into account the impacts on over 110 countries which have been backing our stands.

A: How long do you think we can sustain the stalemate?

FMO: We want a continuous stalemate. I understand you posed the question because you may feel that almost all of the resistance strongholds have collapsed during the Vietnamese dry-season offensive and hence, the stalemate has been upset.

I think the Vietnamese offensive did

not hurt the Khmer Rouge very much because they have been pursuing guerrilla warfare. The problem is rather with the KPNLF force of Son Sann and the Army of Nationalist Sihanoukists (ANS) which resorted to fixed warfare. We have advised the non-communist forces to separate their forces from the civilian population because a force could not mount an attack with children and women staying with the fighters. They must establish mobile bases, secret caches and so forth.

I would not like to say that I am optimistic that the stalemate will be maintained. I think we have yet to wait for the results of the fighting in the rainy season. If the resistance forces could step up their military activities and perform effectively in the battlefields during the monsoon season, then the stalemate will go on.

But we cannot judge the military successes of the resistance forces with their ability to recapture the fallen strongholds. That will be nothing if they could have their supply lines re-secured and set up logistic caches in the interior of Kampuchea. It would be the non-communist forces' success if they managed to keep up attacks on selected military targets continually. We don't expect them to hit big military targets because this is supposed to be the tasks of the

Khmer Rouge, which is far stronger than the non-communist forces. The most important thing is that the non-communist force's military operations in the interior must be viable regardless of the Vietnamese presence along the Thai-Kampuchean border.

I admit that the Vietnamese dry-season offensive this year has dealt a psychological blow on the resistance forces and that the Vietnamese would be able to exploit the fall of the border base for propaganda purposes and if the resistance forces failed to put up an impressive show in the battlefields in the monsoon season, it would affect our political campaigns to keep support for the CGDK seat and the ASEAN-sponsored resolutions on Kampuchea.

The other side can cite any classic international principle to back up its contention that the resistance government should not be recognized because it controls on areas at all.

We expect Vietnam to challenge the UN seat of the CGDK in the UN General Assembly this year. Vietnam has refrained from doing so for two consecutive years now, but this year the Vietnamese may renew the bid.

A: Some believe that the present Vietnamese military occupation of Kampuchea is costly to Vietnam and damaging its economy. But what if we look at the issue with the oppo-



site perspective? The Vietnamese presence in Kampuchea should benefit Vietnam, particularly from the perspective that the country's economy is of a war type. At least in the short term, the presence of massive military force in Kampuchea should be beneficial to the Vietnamese in the sense that it helps reduce or slow down the unemployment rate. Moreover, the Soviet Union is now giving massive aid to Vietnam to sustain the Vietnamese military presence in Kampuchea. According to figures recently released by the London-based Institute of Strategic Studies, Moscow last year provided US\$ one billion in grant aid to Hanoi vis-a-vis about US\$100 million given by the US to Thailand under the Foreign Military Sales Programme (FMS) for the same year.

In this way, our present policy to pressure Vietnam into agreeing to a negotiated settlement may not work, if the assumption is valid that the Vietnamese gain from maintaining their forces in Kampuchea more than the cost it has to pay.

FMO: Well, it depends on how we approach the issue, but the report by the IMF (International Monetary Fund) on the Vietnamese economy last year showed that the economy in the country is in a very bad shape. My second point is that perhaps the Vietnamese leadership has chosen to continue the military presence in Kampuchea mainly for political reasons, and not economic reasons. If political considerations take the priority in the Vietnamese thinking, then economic reasons are only secondary. As we understand it now, the Vietnamese leadership is giving priority to security.

Even if the continued Vietnamese military presence in Kampuchea is useful to Vietnam, then we have to go back to the original question: whether we can accept the fait accompli. For our own security, we have to demonstrate that we cannot accept it, whether the situation is in the long-term or short-term interest of the Vietnamese or not.

A: My point is that if the present situation is beneficial to Vietnam, then our policy of imposing pressure on Vietnam is unlikely to work.

FMO: I think it works but, of course, it is very difficult to obtain hard evidence to back up our belief since, as you know, Vietnam is a closed society. However, we assess from Vietnamese overtures that our pressure has had impact on Vietnam. The Vietnamese have been trying to make it seem that there exists a process of dialogue between Vietnam and ASEAN, despite alleged opposition from China and Thailand. This is not true because despite some talks, no substantial progress has been made and from the Vietnamese overtures, which are in fact propaganda, we have concluded that this is a tactical move to show flexibility on the part of the Vietnamese. Secondly, it shows that the Vietnamese feel the pinch of the political and economic pressure. The Vietnamese want to break the economic pressure which has been detrimental to their economy.

THAILAND

CAMBODIA-LAOS SITUATIONS CONTRASTED, COMPARED

Bangkok THE NATION REVIEW in English 23 Apr 85 p 5

[Text]

FMO: I think we'd better approach the Kampuchean situation this way: If we agree to the continued Thai support for the Coalition Government of Democratic Kampuchea (CGDK), then the first picture that we have visualized is the growing Chinese influence in the region. But at the same time, I think the US influence is also increasing. A financial aid of US\$5 is coming to the CGDK through Thailand, more military support, more ammunition and more money. The ASEAN position would then be boosted as far as its support for the CGDK is concerned. The point that we are conveying to Vietnam is that the cost for them to continue staying in Kampuchea is more expensive than ever — More so following pronouncements by Prime Minister Prem Tinsulanonda and Supreme Commander Gen Arthit Kamlang-ek, who said that Thailand has the right to preserve her territorial integrity by resorting to "offensive defences" on the border.

\* The statements were made one month after ASEAN foreign ministers during their special meeting in Bangkok, put forwards a call for friendly countries to support the political and military struggle of the CGDK.

Another message is that the United States is increasing support and China may also do the same. I think Vietnam has started to get the messages because instead of reaffirming her demand for the elimination of the Khmer Rouge as a whole entity, the Vietnamese recently softened the stand to the elimination of only two Khmer Rouge leaders: Pol Pot and Ieng Sary. Deputy Soviet Foreign Minister Mikhail Kapitsa, during his visit here about two weeks ago, also repeated the point. So, what we have to ask ourselves is: On the assumption that the stalemate is moving in our favour, what we are going to do with the two Khmer Rouge leaders? This is a homework that Kapitsa and the Killing Fields (a motion picture) have given us.

Thailand has to ask herself that if Pol Pot and Ieng Sary pose a major obstacle to our support for the CGDK moving a big step forwards, how should we do with the two personalities? Secondly, if so, we must have the guts to raise the question with the Chinese. Is it possible for the Khmer Rouge to merge into the KPNLF and the ANS?

At the same time, we must continue to help the non-communist forces strengthening themselves and on the other hands, to encourage them to take initiatives.

FMO-B: I think that the latest call for the elimination of only Pol Pot and Ieng Sary is just a tactical move by the Vietnamese. It's not that important. The latest Vietnamese and Soviet call represents only a change in detail, and not in essence because their terms over the troop withdrawal and self-determination are still basically the same as ever. To me, it does not deserve much attention.

A: Within the academic circles, there is a feeling that the Vietnamese offer that everything is negotiable should be acceptable to Thailand and ASEAN. So, we would like to ask for clarifications from you. Is it true that the Vietnamese have imposed no conditions and if so, why have we refused to talk to the Vietnamese? Why didn't we accept the Australian offer to host such a meeting in Canberra?

FMO: If there were no conditions imposed, I think we should accept it, but I cannot say for the government which may or may not take such an offer.

Anyway, we are waiting for that because, so far, it has been a matter of imposing pre-conditions upon each other. But if it's a matter of meeting simply with an open agenda, then why not?

FMO-B: Let me respond to the question over the Australian offer. In fact, Australian Foreign Minister Bill Hayden has proposed

Canberra as the venue for a meeting without any pre-conditions. It's not the question of whether we should meet with the Vietnamese, but what we are going to talk about. I think it necessary for us to reach an agreement on the agenda of such a meeting before moving to the stage.

What are the root causes of the Kampuchean conflicts? Is it not the Vietnamese invasion and occupation of Kampuchea and their installation of a puppet regime in Kampuchea? If the Vietnamese accepted to talk about the Kampuchean problem and then we said OK, then we could sit down for talks. Then, we raised the subject of troop withdrawal and the Vietnamese said they agreed to it but countered that before the pull-out, the Khmer Rouge must be first eliminated. When we talked about self-determination, the Vietnamese said they would agree to it and that all Khmer citizens had the right to participate in an election, but that Pol Pot and Ieng Sary must be excluded. They would say that the others in the resistance movement must lay down their weapons before they can participate in the election to be organized by the Heng Samrin regime. As for our call for international supervision, they would counter-propose foreign observation. So, in this way, who has imposed pre-conditions? The Vietnamese, right? The last time the Vietnamese proposed that the Vientiane communique and the ASEAN joint appeal (issued in September, 1983) be the basis for negotiations. We rejected it because the theme in the Vientiane joint communique is about the question of peace and stability in the region, not specifically the Kampuchean issue.

So, it is not a question of to talk or not to talk, but what subjects we are going to talk about.

FMO-C: Nguyen Co Thach should have met Foreign Minister Siddhi Savetsila the last time but they didn't meet because Thach said he had a sore throat (laughter). Thach was well aware that ACM Siddhi would talk about the Kampuchean issue. The Vietnamese just wanted to manipulate meetings to serve their propaganda purposes. Because of this, I think negotiations should start at the working level to avoid the manipulation of meetings, but at the same time, we must have agreed-upon subjects for talks and they should be based on what most of the countries in the world have recognized as the root causes of the Kampuchean issue.

Here, it goes back to what an FMO has pointed out (about the root causes of the problem). What else we are going to talk about if it is not the withdrawal of Vietnamese troops from Kampuchea? The Vietnamese have tried to point out that the call for negotiations on troop withdrawal is a pre-condition. But that the Vietnamese invasion and occupation of Kampuchea is

more than a pre-condition. If we don't talk about troop withdrawal and self-determination, it'll be a waste of time.

FMO-A: My views may be different from that of FMO-B's. I'd like to follow up on what FMO-C has just mentioned about a low-level meeting of senior officials. Be it a low-level meeting or secret diplomacy, I think we must sit down and talk. However, we have not defined an official stand over the issue. Although, Thailand and Vietnam have embassies in the two countries, the channels have been mainly used to lodge protest notes against each other.

If we really want to find an end to the conflict, then we must sit down for talks. Since the beginning of this, we have not touched upon the question whether we want to go on with the protracted situation. Do we want to go on for 10 years or to solve the problem within two years? These are two options. If we want to take up the latter option, then we must start the negotiations. How, when and where are not significant.

FMO-C: I disagree. I think what matters most is the substance in our talks with the Vietnamese. If we talked on something that we don't want to concern ourselves with, then it's useless to talk.

FMO-B: Are we going to go along with talks like the Paris negotiations? They talked for four to five years, and gave press conferences every day.

Are we ready to go into that sort of negotiations?

I would like to clarify on my comments over an allegation that we imposed pre-conditions for negotiations. We do not impose pre-conditions if we admit that there exists the Kampuchean problem. Is it a pre-condition when we said that we want to talk about a solution to the Kampuchean conflict? If we wanted to impose a pre-condition, we would have told the Vietnamese that we would negotiate with them only if and after they have promised that they would withdraw the troops within two years and would recognize the Khmer Rouge, the KPNLF and the Sihanoukist force. If we wanted to impose pre-conditions, we would have told the Vietnamese to announce before negotiations that they would not demand that the resistance forces lay down their weapons. Many people, including UN Secretary General Javier Perez de Cuellar, said that if we did not sit down and talk with the Vietnamese, how we can know what the Vietnamese want.

As a matter of fact, we know what the Vietnamese want. The Vietnamese have never concealed what they want. We just know that right now, they are still not ready for serious and fruitful negotiations.

If we sat down for talks with the Vietnamese, it would send significant implications and repercussions to the



international community and the UN forum. Once we sit down, the Vietnamese would take it for granted that negotiations have started. They could generate a false idea that the parties concerned are now in the process of negotiations and hence, the UN should refrain from interfering in the process.

The Vietnamese would be able to divert the issue from the UN General Assembly and they would certainly argue that there is no point for the UN General Assembly to condemn the Vietnamese, which are flexible and want a political settlement. Why the international community would have to continue applying political and economic pressure on Vietnam, they would say.

A: As a matter of fact, I just want to know whether there are pre-conditions imposed on the Vietnamese, but you have gone as far as explaining the reasons behind the ASEAN stance over the issue and I believe you have raised an interesting point that could be raised for further debate within the academic circles because it may help bridge the gap of understanding between the academicians and Foreign Ministry officials.

A: What is the substance of the Vietnamese proposals? What are the five points in the proposal?

FMO: Let me begin with what Thach proposed to Australian Foreign Minister Bill Hayden in March, 1984. Hayden was informed that Vietnam was ready to have a regional meeting on peace and stability in Southeast Asia on the following points:

(1) The withdrawal of Vietnamese troops from Kampuchea.

(2) The elimination of Pol Pot and his associates as a political and military force and the establishment of a safety zone straddling the Thai-Kampuchean border.

(3) The process of self-determination for the Kampuchean people through a free election on the condition that Pol Pot and his associates will be denied the right to participate in the election.

(4) The conclusion of border security arrangements, including the Sino-Vietnamese border and the Thai-Lao border.

(5) International supervision and guarantee for the the agreements on the four points.

Now, let's come to the five-point proposal put forward in the Ho Chi Minh communique of the Indochinese foreign ministers on January 18, 1985.

The communique states that the Indochinese countries are ready to negotiate with all parties concerned to establish peace and stability in the region as soon as possible and sets forth the following five points as the agenda of such a meeting:

(1) The withdrawal of Vietnamese troops from Kampuchea along with the elimination of Pol Pot and his associates.

(2) Respect for the right of the Kampuchean people to return to normal life free from threats from the Pol Pot clique and a

free general election under the observation by foreign countries.

(3) The establishment of Southeast Asia as a zone of peace, and stability whereby countries with different social systems can peacefully co-exist.

(4) Respect for the rights of countries in Southeast Asia from countries outside the region.

(5) Establishment of a form of international supervision and guarantee so that an agreement on the four points would be complied with. The five-point proposal that Thach put forward with ASEAN through the Indonesian foreign minister, Dr Mochtar Kusumaatmadja are as follows:

(1) The withdrawal of Vietnamese troops from Kampuchea along with the elimination of the Pol Pot clique, a matter to be negotiated between the Indochinese states, ASEAN and the Khmer side without

participation by the Pol Pot clique. A safety zone must be established on the Thai-Kampuchean border as a measure towards the troop withdrawal. The proposal on the establishment of an International Commission on the Control of Security (ICCS) or an International Control Commission (ICC) in accordance with the Geneva 1954 agreement as well as the establishment of an International Peace Keeping Force are subject to negotiations.

(2) The self-determination of the Kampuchean people.

(3) Establishment of a framework of peaceful co-existence between countries in the region as well as mutual respect for sovereignty and territorial integrity of the countries in the region.

(4) Freezing on foreign military bases in the region.

(5) Establishment of international guarantee and control for an agreement reached on the four questions.

A: Let's us keep it as raw data for future analysis.

A: Why does Thailand refuse to negotiate on the Vietnamese call for Thailand to stop supporting the Khmer Rouge?

FMO-A: There is now the Coalition Government of Democratic Kampuchea (CGDK) and we have all along made it clear that we have never supported the Khmer Rouge. At present, we are resorting to CGDK to solve the problem of the Khmer Rouge's negative image. As for how we should do with the two Khmer Rouge personalities: Pol Pot and Ieng Sary, I think we are now in the process of soul-searching. I may have a view different from FMO-B, as far as Khmer Rouge personalities are concerned, but I think that we have got to tackle "the bone" thrown to us by the other side.

FMO-C: I'd like to ask what right do we have to eliminate Pol Pot or Ieng Sary? Do you think the Kampuchean people hate Pol

Pot? Perhaps the Khmer people want him. I don't know. But if they dislike Pol Pot and Ieng Sary, why don't we let the Kampuchean people to demonstrate their will through general elections?

**FMO-A:** I think we have to admit that sometimes, we have to stick to principles and other times, we have to consider real politics.

As far as Pol Pot is concerned, I think we are talking about real politics. Can't we sell these two persons for Vietnamese recognition of Prince Norodom Sihanouk and Son Sann and realization of a political solution to the Kampuchean conflicts? This is the kind of homework we must tackle. If we always stick to principles, I think we will close the door to various options available.

**FMO-B:** The point is that if we are pre-occupied with the elimination of the two Khmer Rouge personalities as a matter of principle despite the fact that it's not, then the issue will be blurred on our own mind. The Vietnamese want to blur the real issue by talking about the two personalities every day until you think that the two Khmer Rouge personalities are the Kampuchean issue and that if they were eliminated, the

problem will be solved.

We could not afford to forget the real issue, the root cause of the problem.

Not that we could not pre-judge that the duo must be eliminated, but at the same time we have given a chance of eliminating them through UN-supervised general elections. If the people hate him, then they could bar them from returning to power through the elections.

Prince Sihanouk himself said that without support from the Kampuchean people, the Khmer Rouge would not have been able to sustain their military activities inside Kampuchea.

**A:** What are the Chinese positions and policy towards the Kampuchean issue as the Foreign Ministry understands it?

**FMO-A:** I think it all the more important that we are joining hands with the Chinese for limited objectives. We are all along well aware of criticisms over our close relations with China, that China has a certain level of influence on us and that we are always well aware of our Thai identity. My foreign minister has made it clear time and again that we know what we are doing with regard to our relations with China.

**ABOUT 30-40** political scientists and Foreign Ministry officials sat down for a frank discussion on the government's foreign policy towards Kampuchea in a closed-door seminar jointly organized by the Institute of Asian Studies and the Foreign Ministry on April 6.

The academicians were led by Dr Khien Theoravut of the Faculty of Political Science, Chulalongkorn University, while the officials were headed by Director of the Southeast Asian Division Surapong Jayanama and Director of the Policy and Planning Division Kasit Piranya.

The Nation today presents the third of a series on the debate, which was the first of its kind. Names of specific speakers are not identified in the excerpts published here, under an agreement with the organizers.

**Some of the academicians participating in the seminar:**

- Dr Apinya Ratnamongkholsamas
- Dr Vidhya Suchariththanarak
- Dr Chattri Ritharom
- Associate Professor Orani Nuansuwan
- Prathumporn Watcharasathien
- Dr Khien Theoravut
- Dr Chulachoop Chinwanna
- Dr Sureschal Sirikul
- Dr Thaneeart Satsavethin
- Dr Kriessana Walsanwunaj
- Wuthiart Lorbcharoenasp
- Dr Niyom Ratanmarit
- Dr Usa Balyok
- Pornpim leumtham
- Dr Thira Nuchplam
- Dr Thanmanit Waraporn
- Dr Sompong Chumak

CSO: 4200/1070

THAILAND

ACADEMIC CRITIQUES THAI POLICY ON CAMBODIA

Bangkok THE NATION REVIEW in English 1 May 85 p 4

[Text]

THE PRESENT dry-season campaign in Kampuchea may be only the beginning of a period of immense difficulties for Thailand, the start of a slippery slide towards a war with Vietnam which we do not want and cannot win. First, let us examine the developments which have taken place.

Unlike in the previous dry season when their offensive began late and seemed rather half-hearted and ill-directed, this time around, the Vietnamese appear to have put their faith in the sword. Beginning with the assault on the Khmer People's National Liberation Front (KPNLF) camp at Nong Chan as early as mid-November (1984), their forces in a period of four months have managed to capture or destroy most of the Khmer resistance groups' strongholds stranded on the Thai-Kampuchean border, including the KPNLF's headquarters at Ampil (January 1985), the Khmer Rouge's main bases in the Phnom Malai (February 1985), and the Sihanoukist headquarters at Tatum (March 1985).

According to the evidence available, the Vietnamese seem to be in the process of implementing a new, more aggressive and coherent strategy, as partially outlined by General Le Duc Anh, commander-in-chief of the Vietnamese forces in Kampuchea and Politburo member, in the army review in December 1984, which requires them: (a) to launch large-scale attacks

against the Khmer resistance on the "border front" by using both armour and artillery and by entering Thai territory if need be; (b) to exert pressure on or, if possible, seal off all channels of supplies to the latter by holding and reinforcing most of the territorial gains they have and again by entering Thai territory when deemed necessary and appropriate; and (c) to force a "solution" of the Kampuchean problem by a certain date, probably some time in 1987, by pacifying the "inland front" and freeing it from resistance penetrations.

The Vietnamese implementation of this strategy is not only the reflection but also a further cause of the continuing failure of diplomacy. The earlier attacks on the KPNLF and Khmer Rouge prompted the ASEAN countries to take a more hard-line approach as evident during their foreign ministers' special meeting in Bangkok on 11-12 February 1985 which called on the international community to provide military aid to the Khmer resistance and held forth the prospect of more (and more open) ASEAN military aid to the latter.

Similarly, the Vietnamese incursion into Thailand's Surin Province as part of their assault on Tatum in March 1985 provoked strong responses from the Thais who deployed their air power extensively over the combat zone and threatened retaliatory raids or, in the official language, "offensive defence op-

erations". Clearly, with the presence of 11 Vietnamese divisions on their border and in the aftermath of the biggest Vietnamese incursion since the invasion of Kampuchea in 1978-79, the Thais are in no mood to negotiate or compromise.

Although in the weeks immediately before and after the fall of Phnom Malai there were frequent mentions of possible breakthroughs, there is no substantive proof that the diplomatic deadlock is likely to be resolved in the near future. In fact, one might even argue that, given the military situation in Kampuchea, the trend is towards an even more extended impasse: the Vietnamese have won certain battles but not the war, and by failing to destroy the resistance and forcing them to move into the "inland front" and operate fully as guerrillas, the Vietnamese may well find that their military "successes" during the 1984-85 dry season constitute only the beginning of a long and arduous uphill struggle to pacify the country.

As in the immediately preceding years, the current impasse testifies firstly to the inability of the major players involved to find common assumptions concerning the pattern of power distribution among them in Indochina and Southeast Asia; and secondly to the inability of any one of these contending players to dictate an outcome based more or less exclusively on his own security interests. More specifically in the case of ASEAN and Vietnam, as evident from the latest policy statements (for example the joint communique of the 10th Indochinese Foreign Ministers' Meeting at Hanoi on 18 January 1985 and the joint communique of their ASEAN counterparts after the special meeting in Bangkok in February 1985), neither side has demonstrated its willingness to accept what are considered to be the minimum, and hence "non-negotiable" requirements of the other, of the capacity to enforce what it considers to be its own.

In the case of ASEAN, these requirements are obviously Thailand's security and Kampuchean national self-determination, both of which can be guaranteed only by a Vietnamese withdrawal, phased or otherwise. To these, one might also add another, that is a diminution of great power rivalry in the region which implies a greater degree of independence for Vietnam vis-a-vis the Soviet Union than at present. And in the case of Vietnam, the minimum requirements are the elimination of the Khmer Rouge as a political and military force and a recognition of Vietnam's primacy in Indochina. To these, one might also add the cessation of Thailand's role as a "Trojan Horse" for external "imperialistic" powers.

Seen in this context, the current failure of diplomacy may not seem significant. However, there are certain implications arising from the present situation in Kampuchea which may make Thailand's position in the immediate future a highly insecure one.

In the first place, the resistance strongholds on the Thai-Kampuchean border which have acted as a sort of buffer for Thailand in the preceding years are no more. Now Thai and Vietnamese troops are deployed face-to-face or, to use the popular postwar term, "eyeball-to-eyeball" along the length of the border. Southeast Asians' ingenuity for conjuring up a *modus vivendi* where none seems likely should not be underestimated and the possibility of local "truces", such as the one brought about in January 1985 after the fall of Ampil, should not be dismissed out of hand. But the juxtaposition of the military forces of the two rivals whose history of enmity is indeed a long and bitter one, is in itself a highly volatile and dangerous situation, especially given that the Vietnamese are likely to attempt to hold and consolidate what strategic territorial gains they have made during the 1984-85 dry season.

Secondly, the Vietnamese offensives have forced well over

200,000 Khmers to flee into Thailand, many of whom are reputed to be armed guerrillas. The influx of these "refugees" presents the Thai Government with an unenviable dilemma: on the one hand, their continued presence would entail a great security burden, both in terms of controlling their activities and in terms of safeguarding them against possible attacks by Vietnamese forces, which in particular may be greatly tempted to deal with the 5,000 or so Khmer Rouge said to have sought sanctuary on Thai territory after Phnom Malai; on the other hand, a policy of "voluntary" repatriation not only would tarnish Thailand's good international image but also is likely to provoke strong Vietnamese responses, as in June 1980.

Thirdly, as a result of the recent advances by the Vietnamese forces, Thailand has been put in a "no win" situation as regards the future of the Khmer resistance: no matter how well the latter fare in the next dry seasons (that is, unless they perform a "miracle" and drive the Vietnamese out of Kampuchea), Thai security is likely to be adversely affected. If they fail to mount effective guerrilla attacks on strategic targets, especially the relatively vulnerable Routes 5 and 6, then their international credibility and Thailand's policy, which is predicated on the preservation and enhancement of that credibility, will inevitably suffer. Furthermore, if the guerrillas fail to engage the bulk of Vietnamese forces in security operations inside Kampuchea, then the latter will be able to reinforce their positions along the Thai-Kampuchean border, put more pressure on the supply points for the Khmer resistance and coerce Thailand when necessary and appropriate.

On the other hand, if the resistance groups can accomplish what they claim, and the Thais believe, they could do, that is creating havoc and destruction for the occupation troops, then Vietnam may have to strike massively and decisively at the supply points most of which, as a



consequence of the loss of Khmer strongholds, are likely to be on Thai territory or near the Thai-Kampuchean boundary as to make little difference. The strategy, or "privilege", of enlarging a war to win it is not exclusively reserved for American statesmen, nor the misfortune of falling prey to such a strategy, for the Indochinese countries. Or to put it bluntly, Thailand may become a victim of the kind of military logic which precipitated the American attempts to close the Ho Chi-Minh Trail during the Vietnam War.

If the foregoing analysis is correct, then during next dry season or two, one can expect increased border tension; more Thai-Vietnamese clashes, accidental or otherwise, a greater

number of Vietnamese incursions, perhaps backed by air power and penetrating 10-15 kilometres into Thai territory at some points; and some retaliations, as already threatened in March 1985, by the Thai armed forces. If this type of scenario eventuates, war intended or otherwise is a possibility.

For those who are still complacent, it should be pointed out that, on the evidence of their showing during the Surin border incident in March 1985, the Thai armed forces' capacity to render an effective defence against Vietnamese attacks can be considered at best uncertain.

Thus, the implications arising from the turn of events in Kampuchea this dry season are serious indeed. Furthermore, if three other factors are taken into account, then the gravity of the situation is even more pronounced. The first is the decline in the usefulness of the "China card": with perhaps 700-800,000 Vietnamese troops now guarding the

Sino-Vietnamese border, the PRC's threat to deliver a second lesson is beginning to sound like a bad bluff and in this sense the Chinese President's visit in March 1985 can be considered no more than a cheap substitute for the lesson which was never brought about and probably cannot be brought about without disastrous consequences on the Chinese armed forces. The second factor is the impending purchase of the F-16A aircraft by Thailand: this may enhance our deterrence and war-fighting capability in the short run, but it may also provoke Vietnam further in the immediate term and prompt the Soviet Union to provide it with an "essential equivalence" in weaponry in the long term. The third factor is the US House of Representatives' decision to provide the noncommunist Khmer resistance with US\$5 million in aid which is to be dispensed by Thailand "as it sees fit": again this is likely to provoke Vietnam unless it is accompanied by other, longer term measures designed to settle the Kampuchean conflict.

For Thailand the case for seeking peace is never stronger and no effort should be spared in identifying and attempting new approaches which may include a reappraisal of the Thai policy towards the Khmer Rouge and encouraging "proximity talks" between the other warring factions in Kampuchea. Appeasement, like brinkmanship, is highly dangerous and should be discouraged, but what is needed here is a degree of flexibility, a degree vision to avoid the catastrophe that is certain to come. As Buddhists we owe it to ourselves and to our children to seek peace and avoid unnecessary bloodshed. If by dissociating ourselves from a group of men whose record of brutality is second to none we can more effectively do so, then all the better for it. Let us save energy and lives for the improvement of our quality of life.

THAILAND

MPS QUESTION CAMBODIA POLICY

Bangkok THE NATION REVIEW in English 17 May 85 p 3

[Text]

BOTH government and opposition MPs yesterday questioned the Prem Administration's policy toward the Kampuchean conflict and criticized it for failure to stop frequent cross-border raids by Khmer bandits.

Boontid Suraprapote (Chat Thai-Surin) submitted a motion calling for a debate on the government's handling of the border situation.

Boontid said he submitted the motion because there had been several raids into Thai territory by Khmer bandits and the government was unable to deal with them.

Karun Sai-ngarm (Democrat-Buriram) said Vietnamese forces had also intruded into Buriram Province causing casualties among Thai soldiers and villagers, and cattle were often stolen.

Other MPs attacked the government for not

paying enough attention to the plight of Thai people living on the border.

Pinya Chuayplo (Democrat), who is secretary to Foreign Minister Siddhi Savetsila, explained that the government had been protesting to the United Nations ever since the incursion into Thai territory by foreign forces. He also defended Thailand's foreign policy, which he said must correspond with those of other countries.

But Songtham Panyadi (Chat Thai-Chiang Rai) said he was opposed to the Foreign Ministry's interference in Kampuchean affairs, and criticized it for allowing Prince Norodom Sihanouk to use Thailand for political activities.

He said Thailand declared it has a neutral stand in the Kampuchean conflict but in reality it openly sides with Sihanouk.

CSO: 4200/1068



THAILAND

ASEAN ECONOMIC FUTURE

Bangkok BANGKOK POST in English 15 May 85 pp 15, 17

[Text]

ASEAN's future progress will not be as positive as past developments unless the six-nation grouping is prepared to address, collectively and individually, certain basic problems and to apply some strategic management thinking to the identification of long-term goals, well-known banker Boonchu Rojanastien said yesterday.

The chairman of the Siam City Bank's board of executives told participants of a two-day conference on Security and Economic Development: Southeast Asia 1985-2000: "A number of common factors which played a critical role in the past is not the situation we have been facing in the last five years, nor is it the likely environment in the foreseeable future."

Mr Boonchu, who is also a former deputy prime minister, said the global operating environment for the 1990s presented a sharp and pessimistic contrast, including unprecedented instability, a marked slowdown in the growth of industrialized economies, growing protectionism, major imbalances in industrial production structures, high interest rates, drastic unemployment, volatile exchange rates and a rapid accumulation of public debts in both developed and developing countries.

A number of ASEAN's own internal economic indicators, he said, exhibit negative trends which simply could not be ignored.

He said that some of these trends were due to a deteriorating environment while others were due to mismanagement or inefficiency within the ASEAN economies.

Among major problem areas cited by Mr Boonchu were the decline in overall economic growth rates, low per capita incomes (with the exception of Brunei and Singapore), high current account deficits, falling rates of domestic savings and gross capital formation, poor outlook for primary commodities and high budget deficits.

He also pointed out that external debt profiles for Indonesia, Malaysia and Thailand were such that all three were now committed to sharply reducing the rate of increase of foreign borrowing in order to avoid possible problems in the future.

"With the squeeze on international funding for the multi-lateral development institutions, such as the World

Bank and the Asian Development

Bank, the ASEAN economies face the prospect of being graduated," he said.

He suggested that the association give top priority to increased national and regional self-reliance and self-sufficiency.

"We can no longer count on strong, growing international markets for our exports; neither can we count on unlimited external sources of financing to cover our current account and budget deficits and our investment need," he said.

Other recommendations made by Mr Boonchu were:

● ASEAN must rapidly increase the technology and capital intensity of their economic activities as less developed nations move into labour-intensive manufacturing.

° Severe structural rigidities and inefficiencies that currently characterise regional economies would have to be overcome, if ASEAN was to accomplish overall increase in productivity.

● Industrial employment must be found to cope with the sharp increase in population from 280 million to 400 million by the end of this century.

The veteran banker stressed, however, that these developments demanded the establishment of strategic, long-term goals, underwritten by flexible and responsive implementation policies.

"What they absolutely do not require are the piecemeal short-term crisis management actions which we have been witnessing in our own country."

Mr Boonchu also called on ASEAN to build a national consensus that recognised human resource development as the first priority.

"Unless as a nation we have the necessary human skills, we cannot hope to move up the technology-productivity ladder," he said, adding that appropriate education to upgrade the human resource pool was an absolute necessity.

"Whatever else we have to sacrifice, it must not be our national education budget."

The second priority he cited was a high level of investment for the development of rural infrastructure.

He said that large-scale roads, water, energy and telecommunication projects must be initiated. "We must do this. It is at the heart of our nation's security and stability," he emphasised.

Mr Boonchu told participants that Thailand and ASEAN shared one other major problem — the over-centralisation of government.

Strategic management demanded decentralisation or local government to provide the flexibility and responsiveness which would be survival requirements in the coming decades, he said.

"If we can grasp the opportunities that abound in this resource-rich region, then we can deliver a dramatically higher standard of living for the people," he said.

"But we must be prepared to change, to think long-term. Above all we must be prepared to work together and cooperate as a region. This is the challenge facing our leaders today," he concluded.

Jointly organised by Fusion Energy Foundation and Executive Intelligence Review, the two-day conference at the Ambassador Hotel, was opened by Deputy Prime Minister Sonthi Boonyachai.

THAILAND

COLUMNIST ON SUPPRESSION OF FILM ON HUNGER

Bangkok BANGKOK POST in English 3 Jun 85 p 4

[Article by Surin Pitsuwan]

[Excerpts]

TWO seemingly unrelated events occurred last week that appear to be very revealing about the Government. Both happened to reflect concerted efforts to avoid the truth because they were too bitter a pill to swallow and too painful a verdict to face. One was political and the other socio-economic. The Government was afraid of facing parliamentary criticism by the Opposition and the Television and Radio Broadcasting Directing Board displayed its lack of respect for the value of truth in its attempt to ban a TV advertisement showing malnourished children of the Northeast eating lizards and salt lick.

The event involving a government agency trying to suppress a TV advertisement appealing for help from the public is also disturbing. Apparently the executives of the Children Development Foundation thought that by showing the truth about severe poverty and malnutrition affecting Thai children to the point of eating salt lick, they would be able to generate a sense of noblesse oblige among the viewing public. But the Broadcasting Board, at the behest of the Public Health Ministry, disagrees. The Board thinks it would be an admission of failure on the part of the Government to eradicate hunger and diseases in the

rural areas. The image of country would be damaged if foreigners happen to see such advertisement. Members of the Board seem to believe that the truth has to be hidden and the situation will take care of itself.

M.R. Kukrit Pramej strongly disagrees. "If we keep such a reality from the public eye, nobody would care and poverty would worsen until we humans turn into cannibals," he wrote in his *Siam Rath* column last Saturday. Now that the controversy is building up, the Ministry of Public Health itself denies that it has made any effort towards having the advertisement banned.

It may be interesting to point out that the President of the Children Development Foundation is Dr Kasem Pringpuang-kaew, former minister of Public Health in the previous Prem Cabinet. If the message given by the advertisement could damage the nation's image, Dr Kasem should be the first person to know. He too, apparently believes in the power of the truth.

It is also curious that the Prime Minister, who has spoken much against rural poverty, has so far remained silent about this

controversy. Does the Prime Minister believe that there are hundreds of thousands of children in this country who are suffering from malnutrition? Or does he believe that his "Decade of Rural Development" launched at the beginning of his premiership has been a complete success and hunger, poverty, diseases and ignorance have been totally eradicated from our land?

It is ironic that a stunning verdict of government failure on its management of the economy, national development and health services should have come from an innocent TV commercial appealing for public sympathy and support. It just shows that truth

has its own way of putting across its power of deliverance.

When Parliament fails to call on the Government to account for its performance, unintended circumstances would not allow it to escape from criticism. Action speaks louder than words. When the new no-confidence debate struggles to survive in the Parliament this week, there is an outside chance that the Government will stumble on its own over-confidence.

The disregard for the truth in both cases is more prevalent in an authoritarian regime than a democratic one. It is a symptom of the spoilt child syndrome and could be a catalyst for the Government's own downfall.

CSO: 4200/1072

THAILAND

TRADE TIES TO EASTERN EUROPE TO GO THROUGH HUNGARY

Bangkok THE NATION REVIEW in English 5 Jun 85 p 19

[Text]

**THE Foreign Ministry is pursuing an approach to promote trade ties with East European countries through Hungary, with a proposal to appoint "local agents" in that communist country, coupled with the holding of trade fairs and exhibitions to promote Thai goods there. Thailand has also asked Hungary to consider investing in the Eastern Seaboard Programme.**

Meanwhile, Hungarian trade and investment here are expected to highlight a visit here by Hungary's Minister for Foreign Affairs Dr Peter Varkonyi, who recently in Budapest promised Thailand's Foreign Minister Siddhi Savetsila to lead a trade mission here either in the second half of September or early October this year.

According to tentative plans, the Hungarian minister would be briefed on trade issues by senior officials of the Board of Investment (BoI) and the National Economic and Social Development Board (NESDB) and at the same time hold talks with the Commerce Ministry on ways to promote trade and resolve problems. He will also be invited to make field trips to textile and garment factories, observe marine food production as well as projects under the Eastern Seaboard development programme.

Varkonyi's visit will be a follow-up to the Hungary visit by Foreign Minister Siddhi who signed the instrument of ratification for the conclusion of a bilateral agreement on scientific and technical cooperation. Hungary has expressed interest in offering expertise in engineering, medical equipment and machine tool production.

HUNGARIAN BUSES

During the talk in Budapest, the Hungarians also claimed that exports of buses from their country was the second highest all over the world and Dr Varkonyi is expected to pursue the possibility of exporting Hungarian buses to Thailand. Thailand, on the other hand, is interested in selling more rubber, tin and particularly garments, to the country. "Garment exports have a strong potential in the socialist country because the people there have a higher standard of living," an informed source told *The Nation*.

The Thai side is expected to pursue the offer by ACM Siddhi for Hungary to invest in the Eastern Seaboard Project by providing details of the project to the Hungarian mission. Out of the 25 projects drawn up for the Eastern Seaboard scheme, the Thai side expects Hungarian involvement in the field of canning, chemical production and the production of rubber goods.



In Budapest, officials informed Siddhi during the last high-level contact that Hungary's overseas investment was largely confined to the Middle East. The East European country has invested in the building hospitals and handling their management.

### LOCAL AGENTS

On the idea to penetrate the East European markets through Hungary, the sources said that the Foreign Ministry would pursue the proposal of appointing "local agents" in that country with the Commerce Ministry, the private sector, Bol and the Tourist Authority of Thailand (TAT). Another means to promote the sales of Thai goods in the region is to hold as many trade fairs and exhibitions in Hungary as possible.

"Our concept is that the two countries have different political approaches, particularly over the Kampuchean issue, and therefore the only area where bilateral relationship could be strengthened is trade, economic and technical cooperation," one source said.

During Siddhi's visit, the Thai side said the trade imbalance totalling about 300 million baht in Hungary's favour should be narrowed. However, the Hungarian side countered that the trade ties are more or less well balanced, given the fact that many Thai goods shipped to Hamburg were re-exported to Hungary.

"Our bilateral trade statistics are based on the destination of our goods (Hamburg, for example) while the other side bases its statistics on the country of origin concept. Hence, we have to adjust our trade statistics," an informed source said.

The Hungarian side also promised to submit details of items of goods that the country imports under the GSP (General Scheme of Preferentials) for the Thai side to study.

THAILAND

EXPANDED TRADE TIES WITH SOUTH KOREA SOUGHT

Bangkok THE NATION REVIEW in English 31 May 85 p 25

[Text]

**THAILAND** and South Korea should strive for closer economic and trade cooperation while there exists vast opportunities for South Korean firms to have joint ventures in industrial manufacturing and other fields here, said an adviser to Deputy Prime Minister Bhichai Rattakul.

Dr Anucha Chintakanondr told Thai and Korean businessmen who are members of the Thai-Korean Chamber of Commerce at Narai Hotel Wednesday night that South Korea is Thailand's 3rd ranking trading partner in the Asian region with the total volume of trade between the two countries expanding by 23 per cent in 1984, which was seen as very pleasing and very healthy.

"However, when one looks more closely to our trade data, it appears that Thailand has had a trade deficit with the Republic of Korea since 1977. Our trade deficit with Korea increased by 12 per cent in 1984, amounting to six per cent of Thailand's trade deficit," he said.

Dr Anucha pointed out that it is opportune to begin working together to create a more balanced trade and economic relationship between the two countries. "There lies vast opportunities for joint trade and investment of mutual benefit to both nations," he said.

He said that Thailand's Eastern Seaboard project offers South Korea vast opportunities for joint investment in areas such as chemical industries, ship repair and ship-building, automobile parts and others.

"I myself see potential in getting our rural villages to engage in some aspects of industrial manufacturing along the lines of the Samul Undong concept rather than merely agricultural production as at present," he said.

As a general concept, he said, South Korea may most probably engage in joint ventures to produce those commodities which she wishes to import. "And vice versa Thailand should be allowed and encouraged to invest jointly in South Korea in producing those commodities which she wishes to import."

According to this concept, benefits would be mutual, he stressed.

He said Thailand will need to look forward and encourage Thai investment in foreign countries. With appropriate rules and regulations the outflow of capital can be appropriately controlled.

"I see foreign investment as a form of export and am convinced that unless the government accepts a change in attitude and encourages appropriate Thai investment overseas, she will sooner than later regret the loss of opportunities. At that point of time it will be a case of 'crying over spilt milk,'" he said.

He said vast opportunities for bilateral trade expansion also exist. Dr Anucha said many tariffs and non-tariff barriers remain. South Korea may relax its barriers in the case of tropical fruits, canned pineapple, beans and others, while Thailand may expand its imports of automobile parts, electrical products, etc.

"As a general rule, those items which cannot be efficiently produced in one's country should be

subject to very minimal import tariffs or none at all," he said.

He added that Thailand as well as other nations have often fell into the trap of building high protective walls to protect the production of goods which she has no business producing, thereby offering a monopoly condition to foreign companies involved in the joint venture so that they are able to charge higher prices and obtain higher profits than in a more competitive situation, which is equivalent to saying that Thailand, in effect, protects foreign companies and subsidizes them with the ill-afforded income of its citizens.

South Korean Deputy Prime Minister Shin Byon Hun is due to visit Bangkok soon and Dr Anucha told the chamber's members that he has been asked by Bhichai to prepare the details of his visit so as

to make it a memorable one.

Bhichai was due to speak at the chamber on 'Economic Cooperation Between Thailand and Korea: The Potentiality for Further Development of Thai-Korean Relationship'. Since he was not available, the deputy premier sent Dr Anucha to speak on his behalf.

Dr Anucha said economic cooperation based on equity and the sharing of mutual benefits can very well serve as a sound base and pillar in the further development of Thai-Korean relations to the benefit of both countries and the world at large.

"Such cooperation must be based on fairness because only such a basis can we develop long-run cooperation and this can best flourish and exist through mutual trust and good understanding," he said.

Thailand export to Korea during 1962-1964					Major import items of Thailand from Korea				
Unit: 1,000 US dollars					Item	Year	1962	1963	1964
Item	Year	1962	1963	1964	Item	Year	1962	1963	1964
Sugar & confection		36,567	33,239	36,133	Iron & steel		52,497*	55,959	52,042
Rubber & synthetic		12,665	9,500	14,187	Fertilizer		32,534	58,335*	55,935
Edible vegetables		7,648	17,204	19,700	Manmade fibre		15,099	19,075	19,219
Cereals		3,302	9,335	19,984	Wadding rope coated fabric		9,490	11,927	10,463
Wood & articles		3,023	3,378	5,922	Electrical Machine		6,175	10,723	11,430
Tin		2,903	2,539	3,953	Work of Art antique		4,440	7,807	5,072
Electrical M/C		2,098	1,584	3,408	Artificial resin		3,704	—	5,472
Other Veg. textile materials		2,056	1,519	1,742	Boiler machinery		3,365	5,433	87,350*
Salt sulphur cement		1,855	1,375	2,314	Rubber & synthetic		2,555	—	5,100
Mfg. of plait material		1,400	—	—	Organic chemical		2,525	5,522	7,163
Other textile art		—	1,580	—	Mineral fuel oil wax		—	15,580	—
Metallic slag ash ore		—	—	2,636	Locomotive		—	9,311	—
Other		6,584	8,573	11,900	Others		20,355	34,785	29,112
TOTAL		80,044	91,163	122,019	TOTAL		154,039	243,556	288,417
					Conversion rate:		1962-1963	US\$: 23 baht	
							1964	US\$: 23.64 baht	

CSO: 4200/1072

THAILAND

BOI SECRETARY GENERAL ON INVESTMENT, SALES STRATEGIES

Bangkok BUSINESS IN THAILAND in English Apr 85 pp 26-33

[Text]

The Board of Investment is sporting a new look since moving last year from its old quarters on Rajadamern avenue into sleek headquarters in the new Thai Farmers Bank building on Paholyothin road. It's not merely the office that has changed. The staff is undergoing transformation. So are the promotional strategies the BOI is employing to attract foreign and domestic investments.

It has been an uphill struggle that now seems to be paying off with more efficiency and greater coordination between various ministries and government agencies.

When the BOI was initially established, the emphasis then was on attracting industries based on import substitution. Today, import substitution is subordinated to those industrial needs required to support export oriented industries.

"The BOI's objective is to promote projects that will help the national economy and that support the government's policy of economic development," explained BOI Secretary General Decha Boonchoochuay in an exclusive interview with BIT. "Our objective

is to provide jobs, to utilize local raw materials, and to create more value-added products for the export market."

Seeing the need to help prospective foreign investors through the maze of bureaucratic red tape, the Board established a one-stop service to bring all of the paperwork and legwork under one roof — and they've been working for the last three years to make it truly effective.

One of the principal obstacles has been the lack of coordination and cooperation between various ministries and government agencies. However, considerable progress has been achieved in this last year.

"It's a very complex problem," commented Khun Decha, "that calls not only for the cooperation and coordination of various ministries and government agencies, but it involves changes in the law — and that takes time."

Among the most productive steps that have been taken to solve this inter-agency problem are consultative committees formed to bring these departments face to face to work out solutions. One

good example is the Joint Consultative Committee on Customs Problems. Jointly heading this committee are BOI Deputy Secretary General Staporn Kavitanon and Customs Department Director General Krajsri Chatikavanij. Also on the committee are representatives from the Export Service Center, such export associations as the Garment Export Association, and leading exporters.

Although this committee has been able to streamline a lot of the Customs procedure, the members are faced with many existing laws, some dating from the days of King Chulalongkorn and promulgated by his British advisors. There are vaguely worded regulations and outdated rules that must be changed. But this is a legislative matter. Changes in the law is a procedure that at best is a slow affair.

"Gradually we expect to overcome all these obstacles," said Khun Decha, "and I'm optimistic that it will be done."

Asked if he was satisfied with the progress being made by the BOI, Khun Decha admitted, "Not entirely. What is needed is authority — centralized. Now it is scattered all over. As a result, it has been difficult to implement the National Economic and Social Development Board's Five Year Plan. That's mainly because of external forces— the monetary difficulties in the world, for one. Devaluation has been both advantageous and disadvantageous. It has been good for our exporters who are more competitive with other countries. However, it has been a problem as far as mobilizing local money."

Discussing with BIT some of the changes that are needed, Deputy Secretary General Chira Panupong pointed to the emphasis now being placed on the development of intermediate import and export products.

"As it is now, we still have to depend a great deal on imports to supply export oriented industries. There are certain parts, various materials — intermediate products — that are being imported that can be produced here. For one example: An investor planned to import transformers needed for his products, without knowing that those transformers already are being produced in Thailand. By obtaining those transformers locally considerable foreign exchange was saved.

"In the production of integrated circuits, many components are being imported that could be produced here. There was another investor who didn't know that injection moulding machines are being made here. He had planned to import his," added Khun Chira.

"It's a case of matching industries," he continued. "It means working more closely with other agencies— and it needs reliable research. Not only is research here rather primitive, it has not been properly directed. We need more research staff (at BOI). We are building our own staff and we are supplementing this with outside service."

To this end the BOI has instituted training courses in the two main fields of importance — research and marketing. In the final analysis, BOI is a sales organization. It is selling Thailand and



what Thailand has to offer, doing so in a very competitive market. And that calls for marketing ability.

BOI is seeking more qualified personnel to augment the present staff of about 200 people that includes everyone from top management down to the drivers.

Asked if the BOI needs more authority, Khun Chira replied that "authority comes by law. We have to build confidence in our organization, and we are concentrating on improving our performance. We are expecting our staff to work harder, to balance quantity with quality — and we are expected to do this with a limited budget. Consequently we are relying on more assistance from other governments and United Nations organizations.

"Generally speaking, we are understaffed. However, we are getting better support from higher authorities and from other agencies. They have become more aware that the existing laws and regulations must be streamlined. What's needed is a catalyst — and the BOI is that catalyst," Khun Chira said.

BIT was interested in what specific steps have been taken to implement the changes that are under way at the BOI. Deputy Secretary General Staporn Kavitanon explained it this way:

"Investment policies should be a part of the overall economic policy of the country and, therefore, have to be a part of the overall financial policy. In the past we had not been able to articulate the policy into action programs in an easily understood manner. The policy then was general in nature. We were out after everything—

any industry we could attract to Thailand. We just promoted export industries.

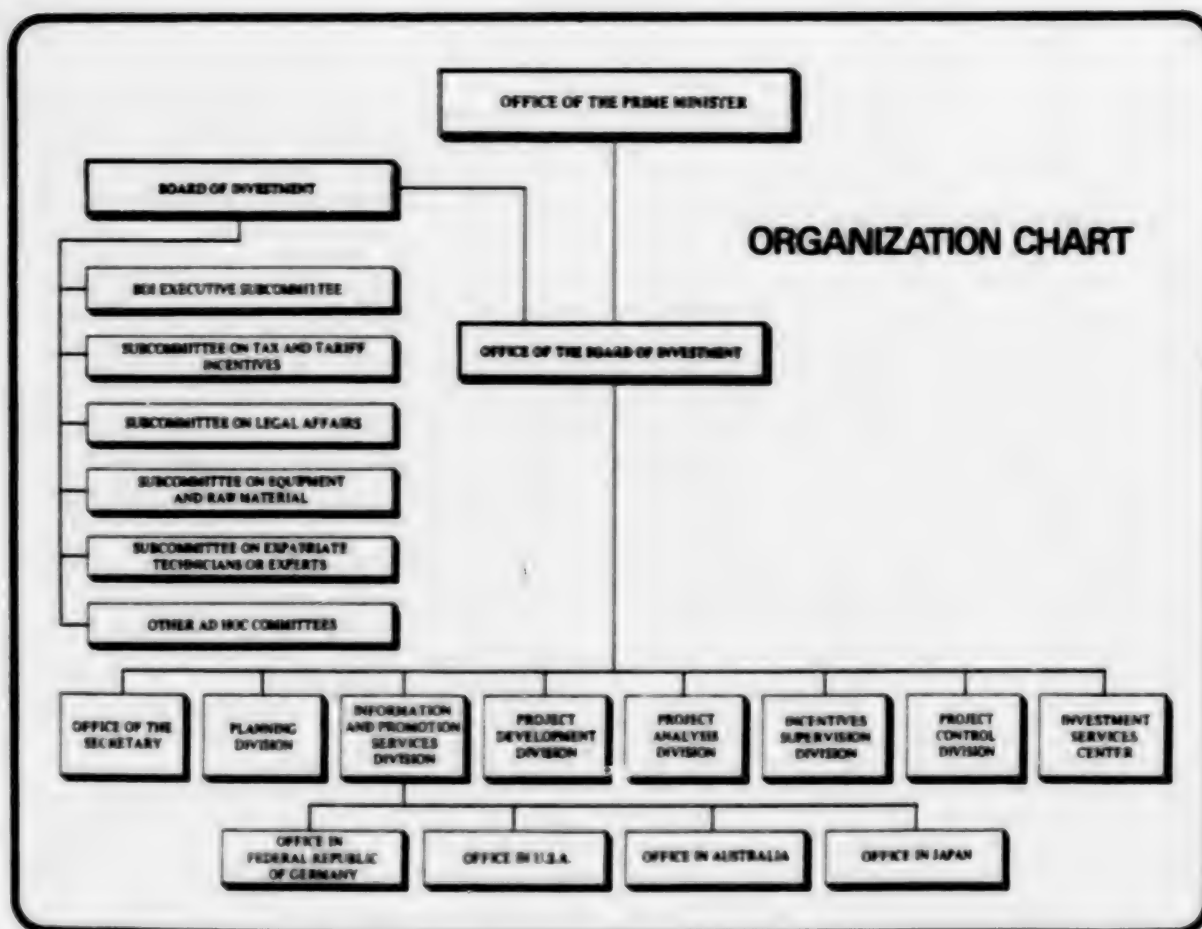
"But we found that this requires a whole spectrum of activities and action from different agencies. Unfortunately, BOI did not go out and consult those agencies then. Now we are trying to coordinate our activities more. We are telling them (other government agencies) that investment is not taking place because of certain obstacles outside the BOI. (Unspoken but obviously implied was that the obstacles occurred in agencies other than the BOI).

"Over the last year things have improved tremendously," said Khun Staporn. You can see from the newspapers and announcements of the different agencies that they are trying to cut down the obstacles. Now we are getting some action and considerable cooperation.

"Another thing is that in the past private institutions were not as active as they should have been by using the BOI as a postoffice for sending complaints — or recommendations— to the government. Now the joint public/private consultative committees are trying to get more from the private sector. Meanwhile, the government agencies are improving. And over the last year the private sector has worked closely with the government. We are working together."

Khun Staporn pointed out that technically it is very difficult to work out the problems with Customs. But it's not just one agency, you have to look at the whole picture, he pointed out, to transmit policy into action.

In the past obtaining permits and licenses from various minis-



tries and agencies was a long drawn out affair. The one-stop service concept was not translated into regulations. What regulations had been enacted were not clearly understood. Most of the agencies had their own policy and authority, and their own regulations, all of which had stretched out the time to finalize any application for BOI certification.

New regulations give all these agencies 90 days to take action on BOI applications, thus immeasurably speeding the process. This means that the BOI application must be acted upon, the Ministry of Industry license approved and other agency permits cleared with-

in 90 days. It's a step that makes the BOI's one-stop service more practical.

There are, on the other hand, a number of success stories.

One of the Board of Investment's most productive activity has been the Investment Missions sent overseas. In more recent months there have been major changes in the way these missions are assembled and the markets they are reaching. BIT asked Khun Staporn whether the BOI is changing objectives of these missions.

"Well, yes and no," he declared. "We are prioritizing what we are going to do. We've done a lot so far, but it has been spread thin.

We are now using our resources in a more effective way. In the past they asked us what the BOI intended to promote — it was everything. Now it's more specific.

"There are two aspects to our overseas missions. One is general—selling Thailand to an audience that may not be familiar with the country and its resources. Then second, you target specific areas and aim directly at a sharp impact on a limited field."

An example of this approach occurred last year when the BOI sent an electronics mission to the United States that was meant mainly to acquaint a large number of prospective investors in many different fields of the advantages Thailand offered. There is to be a second mission to the United States this coming May that will be a much smaller size and will be directed to a very limited number of manufacturing firms known to be interested in establishing plants overseas.

As BOI officials hasten to point out, there is a need for both approaches. If entering a market as a stranger, then the overall picture of Thailand, its people, labor force and resources must be presented. But once in an area where Thailand is known — or has already been visited by a Thai investment mission — then the direct approach pinpointed to a very limited target is a practical follow-up.

The emphasis will be identifying a core industry, then going after it. Khun Staporn mentioned the mission that will be going to Hong Kong in June will be strictly limited to approaching toy manufacturers now operating in Hong Kong.

"For the American missions we took along bankers, a representative from the IFCT, from the Thai Factory Development company, transportation people. We did not bring along Thai investors. For Hong Kong this time we'll bring along Thai investors. Khun Chira is organizing a mission to Europe in May. The visit to France is being organized by French banks. We are interested in French developments in bio-technology," explained Khun Staporn.

The BOI is producing promotional material to back up its overseas missions. One example is the handsome "Make It In Thailand" brochure prepared for the electronics mission to the US. Sub-titled: Join the International Electronics Community Manufacturing in Thailand. The brochure was financed by advertising inserted by the overseas electronics firms already given BOI promotional privileges and now operating here.

It is planned to prepare brochures for every mission, pinpointing the specific industries each mission will attempt to contact. A problem facing the BOI — and many other government activities — is the lack of an adequate budget for promotional materials. Part of this is due to the prevailing reliance by Thai government ministries and agencies on the private sector to finance the government's promotional materials.

That is one reason why Thailand falls far behind Hong Kong, Singapore and other Asean countries in the distribution of promotional material that will compete on the world market. With limited budgets, no Thai governmental agency has the funds to produce good promotional material on its

own. They have always relied on the private sector to do it for the government. One of the few agencies that have overcome this is the Tourist Authority of Thailand which is now employing an advertising agency to prepare its promotional material. These agencies capable of preparing good promotional material are unable to produce it in sufficient quantities to be effective even in key overseas markets, to say nothing of all the potential markets that are not even touched.

Here is the Board of Investment, the agency in the forefront promoting foreign investments — and thereby materially increasing taxes and other revenue for the national treasury — again relying on the private sector to finance a government operation.

Khun Staporn pointed out that investment promotion is getting tougher and tougher. Everybody is getting in the act and the competition is fierce. In the United States, for example, each of the 52 states are actively promoting themselves and Thailand not only is competing with the U.S., but with each of the states.

Asked how Thailand is approaching the Japanese on investments, Khun Staporn said that in the last twenty years there has been a tremendous Japanese investment in industry here. "But that was mainly in import substitution. Now we are looking for more Japanese investment in export industries. I believe the whole Japanese scenario will change. We are offering you a domestic market, but we prefer you to aim for exports."

The response from the Japanese, Khun Staporn told BIT, "is very positive".

He was asked about the biggest problems BOI faces, the obstacles that have to be overcome to really succeed.

"I don't want to put the finger on anyone. We have to start at home with our BOI staff. Our staff must understand clearly our objectives, our goals. There is no reason we can't improve the BOI staff. If we don't really equip our people, in house, with the proper training, there are a lot of technical questions in terms of policy and implementation that won't be solved. We need more research people, need to mobilize university people."<sup>1</sup>

"The BOI has a whole bunch of statistical studies that are now out of date. These must be up-dated. In preparing a feasibility study of the domestic market, such a study is comparatively easy. To do a similar feasibility study of a foreign market needs a great deal of effort — and expertise. Because this is difficult to accomplish in-house we have to pool more brains. That is why we are using outside consultants."

"I've been working on policy formulation," continued Khun Staporn, "and we must examine whether a viable policy can be developed. Where a feasibility study on a market may possibly be vague the feasibility of a policy must not be vague."

BIT turned the discussion to the need for a central agency with the authority to coordinate various government agencies toward a united effort.

"There must be a central agency controlling this," said Khun Staporn, "and I don't mind if the agency is or is not the BOI. Any agency will do, but the BOI

has the staff and we have been coordinating activities with the Ministries of Finance, of Industry, the Commercial Relations Department, with Customs. We have done this face to face among individuals. We sit down and talk over the problems — and solve them. There was a plant we awarded promotional privilege in Ayuthaya that was facing an electric power shortage. We called EGAT, the PEA and MEA and talked it out at a high level. And we worked it out, the power agencies came up with the solution. The extra power was forthcoming.

It is this type of inter-agency cooperation that will make Thailand's investment promotion work. It is this same coordination of effort that will make one-stop service meaningful.

Asked how he envisioned the BOI five years from now, Khun Staporn said that "we have to look back and understand the history of BOI. In the last ten years we have moved from an easy way to promote investments and from now on to a more difficult way to promote investments. I believe we will become more and more a service organization offering post-investment service as well as pre-investment service."

That appeared to sum up the opinion of the top officials the BIT interviewed for this report.



THAILAND

NEW POLICY ON LOBBYING SAID TO BE LIKELY

Kuala Lumpur BUSINESS TIMES in English 10 May 85 p 21

[Article by Andrew J. Delaney]

[Text]

AFTER years of reluctance, Thailand now appears determined to follow the example of its more activist neighbours in developing a lobbying capacity in Washington.

This emerges from a recent forum on *Procedures of Foreign Lobbying in Washington* held at Thammasat University. One of the participants was former Kansas Republican Senator James Pearson.

The forum is considered auspicious since it coincided with two key events in Thai external affairs. The first is the observation of the Thai Foreign Ministry's 119th anniversary; the second is Thailand's ascendancy to the presidency of the United Nations Security Council.

Mr Pearson, formerly a ranking minority member on the Senate East Asia-Pacific Affairs Subcommittee, urged Thailand to overcome its stereotyped view of lobbying as something "evil" or nefarious.

In the past, Thailand has dismissed proposals to supplement its Embassy staff in Washington with professional lobbyists as unduly expensive, unnecessary and even unethical by its own cultural standards.

### Similar appeal

"Thailand should understand that the US system is open to participation from foreign interests and that this is not viewed as an invasion of US internal affairs," Mr Pearson said.

According to Mr Pearson, "Congress is made up of generalists who need outside technical assistance." This is particularly true for Thailand "since Congress —

and the whole country — has such a poor understanding of South-East Asia." Americans, in fact, typically confuse Thailand with Taiwan — so much so that this has been advanced as an argument for returning to the old Siamese nomenclature.

He said, lobbyists could usher Bills favourable to Thailand through the inevitable hearings, mark-up sessions, and amendments in Congress. However, he admitted that tactically speaking, "it is most effective if the (Thai) Embassy can make the case directly" in the same way that a company "should use its corporate offices in Washington, DC."

Thailand has to some extent employed the direct approach with impressive results. Prime Minister Prem Tinsulanonda, for instance, deftly lobbied the White House through a personal visit with President Reagan, who agreed that a sale of 16 advanced F-16 fighters to Thailand would have to be predicted on lenient terms of loan repayment.

A similar appeal for the sale of the aircraft was rejected by Congress last year because of its "destabilising" influence in the region. But, through more direct appeals, Thailand hopes to push the F-16 deal through on favourable financing terms.

Beyond this approach, Mr Pearson insisted, however, Thailand must avail itself of the services of "seller's lobbyists" which will act on behalf of client countries. Staffing and other restrictions, for one thing, obstruct the Thai Embassy in lobbying.

Mr Pearson, therefore, urged Thailand to retain "a lobbyist with

integrity, with a knowledge of Thailand, and with no conflict of interest — not some 'hired gun' who brags about his political clout."

He explained the Embassy and lobbyists will also be most effective in securing passage of Bills when they can fuse the state or local constituency interests of the senator or congressman with the US national interests as well as with Thai concerns. "These correlations of interests help because Congress approaches general problems from a parochial perspective," Mr. Pearson said.

### Greek position

In this regard, the sentiment of Thai-Americans, particularly the estimated 250,000 in Los Angeles, is considered a potential asset for Thailand's lobbying efforts. History has shown this.

For example, in the Greek-Turkish fight over Cyprus, Congress favoured the Greek position although the State Department viewed Turkey as far more important to US interests. This is because Greek-American voters vastly outnumbered Americans of Turkish origin in congressional voting districts.

Part of Bangkok's resistance to lobbying may arise from the conservative and diffident Thai temperament — a disposition which has served this nation well in diplomatic and UN-related areas. But such qualities are in themselves imperfectly tailored to the high-pressure litigious legislative climate in Washington.

"The shyness of the Thais makes us uneasy with lobbying and with say, asking for a list of clients from a lawyer's office to investigate the possibility of a conflict of interest," observed former Deputy Commerce Minister and former Ambassador to the US Prok Amaranand.

### American system

"Thailand continues to approach Washington policy-making from the Thai cultural perspective," he lamented. For instance, since the Thai Premier is virtually unchecked politically, Bangkok believes the same holds true in the US. Thus, it believes that if it can only convince the US President — or key congressman — of the merits of a Bill, its ends will be met.

"The whole Thai distaste for lobbying and preference for seeking out that one individual with power reflects our own problem in political development. Our own system does not presuppose much popular participation and is developed from the top-down," said another former Thai Ambassador to the US Anan Panyarachun.

Mr Anan was referring to the perception of Thailand as a "fig-leaf democracy" where the bicameral Parliament is constitutionally weak and where the Senate is controlled by the military.

"Thailand should not question the wisdom or sagacity of the American system but instead should promote our interests within that legal framework," Mr Anan argued.

He said that despite "150 years of goodwill" and "the Thai people's deep love and admiration for the US," the traditional diplomatic elements of "cordiality and friendship" require assistance through lobbying.

And if Thailand's interests are too minor to warrant an independent investment in lobbying machinery, it should consider areas of collaboration and expense-sharing with the other members of the Association of South-East Asian Nations (Asean). Mr Anan suggested.

As a former ambassador, he warned, however, that given the Thai sense of order and respect, "a lobbyist will fail to be effective if he attempts to take precedence over the Thai embassy in Washington." He stressed that the prerogatives of the Foreign Ministry must be respected as well. — *Depthnews Asia*

THAILAND

# NOKKAEW DENIES RUNNING CHIT FUND

Bangkok THE NATION REVIEW in English 20 Apr 85 p 5

[Text]

RS Nokkaew Chaiyuen," a woman alleged to operate one of the country's major chit fund pools said yesterday he is only dealing in the oil importing business and is in the process of securing loans worth 20,000-30,000 million baht from some Middle East countries.

kaew, who is an air force master sergeant, also said she believes the chit fund pools operated by Mrs Chanoy Tipyaso and the harter Interaction Co Ltd will not collapse. "For some reasons, I am confident they will not collapse," Nokkaew told a press conference which she called to refute a report in saw Na daily that she had gone into hiding. The press conference was held at the office of her firm, Kornpetch Import-Export Ltd Part : Amarin Nives Housing Estate on Paholyon Road.

kaew denied that she was involved in chit fund business. She said Kornpetch Import-Export Ltd Part and another company of hers, Palang Siam Co Ltd, deal in oil importing business.

## MIDDLE EAST LOANS

claimed that investors from some Middle East countries are interested in joining her business. She did not name the countries. She appealed to the press not to attack me because the potential investors may change their mind about investing in my business," she said.

kaew also said that she is trying to secure loans totalling 20,000-30,000 million baht from some Middle East countries. "My projects would collapse if the press continues to attack me," she said.

The press conference was held in a locked room and was video-taped by three men in air force uniforms.

kaew, who is in her early 40's, said she had just bought 68 new oil trucks last month and has a plan to enlarge her fleet of oil trucks to 100.

She said she had already invested about 200 million baht in her oil business. She said the oil is imported from Saudi Arabia and refined which is shipped through Singapore.

### **SHARE CONTRACTS**

Nokkiew, speaking calmly and sporting smiles throughout the 30-minute press conference, said her oil business began early last year with an investment of about 10 million baht. Investors in her business are paid an interest rate of between 1.50 to 7 per cent, she said.

She said parts of the profits from her business were contributed to the rural development project of the Teachers Council of Thailand (Kuru Sabha).

Nokkiew said she was investigating a report that her company had issued a lost cheque worth about 500,000 baht. She said before the introduction of the royal decree banning chit fund business her company had used cheques in business transactions.

The company is now using share contracts instead, she said.

She said no new shareholders were accepted in her business since the royal decree took effect last November.

Nokkiew also denied a report that she paid out interest for investments in her business with BMW cars.

Rarm Chao-angthong, a legal consultant for a group of six companies run by Nokkiew, said the royal decree is creating negative effects for private investments.

Rarm said he has been Nokkiew's legal consultant for about two years.

CSO: 4200/1068

THAILAND

CENTRAL BANK TO BOOST COUNTERTRADE SYSTEM

Bangkok THE NATION REVIEW in English 24 Apr 85 p 17

[Text]

THE BANK of Thailand is exploring a number of additional facilities to accommodate countertrade system should the system play a more active role in world trade in the future. One such facility is to appoint international banks to serve as agents for Thai traders, director of the central bank's department of economic research, Mr Viji Supinit said yesterday.

He said the government has adopted a policy to make countertrade play a supplementary role in Thailand's external trade. But he stressed that this country's trading arrangements will continue to be determined by the free trade system.

SEMINAR

The senior central banker was speaking at a seminar on countertrade organized by the Bank of Credit and Commerce International BA representative office in Bangkok. The session was well attended by about 200 participants at the Royal Orchid Sheraton Hotel.

Meanwhile, Chamnong Vathana of the Office of Agricultural Economics disclosed that the government recently formed a subcommittee to study further the countertrade system. The subcommittee, chaired by Governor of the Bank of Thailand

Kamchorn Sathirakul, reports directly to the full committee chaired by the prime minister.

He pointed out that while problems had plagued bilateral trade, countertrade as practised with the Soviet Union and Romania had benefitted farmers through improved prices for local commodities. Surplus stocks have also been dispensed with through countertrade.

Director General of the Insurance Office of the Commerce Ministry, Mr. Prayoon Talernguri, said that Thailand could not afford to ignore the opportunities offered by countertrade. "Although we have been a country which believes strongly in the multilateral system and the philosophy of free trade, countertrade can also be utilised as an additional tool," he commented.

Central banker Viji, at the same time, added that Thailand had had little difficulty in disposing of major export items except tapioca and sugar "while we are in a position to purchase imports from the most favourable sources to obtain the best value for money, including oil and weapons."

He said: "Without a shift in government policy, I do not really envisage countertrade playing a major role in our trading in the foreseeable future although the government has asked the central



bank to look into facilities to accommodate the practice when it becomes popular," he said.

Countertrade has been practiced selectively. So far, he said, there have been two means of handling the system: reciprocal opening of letters of credit and clearing arrangement. "The Thai financial system is also capable of handling more countertrade mechanisms should that become necessary," he said.

#### APPOINTMENT

The existing local banking arrangement doesn't have to be changed to accommodate more countertrade activity and the central bank's preliminary findings have indicated that eventually appointment of international banks specialized in countertrade may be necessary to act as intermediaries, especially in matching commodities for exports to third countries.

These international banks, he said, could lend their experience to promote Thai exports to non-traditional markets such as Africa, the Eastern Bloc and Latin America through opening and confirmation of letters of credit and serving as account trustee.

Vijit noted that the monet-

ary authorities could also set up a system to facilitate countertrade practice when it becomes necessary although he feels that such a system may face some difficulties. He referred to the case of the setting up of the stock market here and permits granted for the opening of finance companies.

"The supply side is all very well but it has not always worked," he said.

Manager of Business Division II of Siam Cement Trading, Thirakdi Nathikanchanalab, said the Thai international trading firms are well-placed with substantial international experience to help promote exports through countertrade.

However, the system remains a "risky business" for the private sector. He proposed that some form of guarantee should be made available to a newly-formed credit guarantee institution.

BCCT's Chief Representative Nooruddin Ahmad told *The Nation* that he will hold further talks with the central bank today to present summary reports of the seminar and current procedures in practical countertrade in a comprehensive study conducted by Helmut Frenz.

The seminar was yesterday declared open by Deputy Commerce Minister Phairojana Yajaporn.

THAILAND

LPG TRADERS SEEK PRICING CHANGES

Bangkok THE NATION REVIEW in English 17 Apr 85 p 17

[Text]

MINISTER in charge of Petroleum Affairs Suli Mahasandana received a note from the LP Gas Traders Association signed by President Uthai Bunyakank recently seeking a two-baht across-the-board increase per kilogramme in the marketing margin for gas traders for both the small and large-sized cylinders.

The minister has yet to send an official reply but the pressure apparently is rising, with the contention from LPG traders that they were suffering from the low marketing margin and that the squeeze had forced at least ten of gas traders to close shop recently.

The traders were getting one baht a kilo of marketing margin for small-sized cylinders and 30 stang per kilo for the big ones. This time around, the request for the price increase is a steep one, to offset the lack of adjustment for a period of time.

The note proposed to the minister that the government could resolve the pricing problem by selling both the large and small sizes for ten baht per kilo. Even then, the traders claimed, their marketing margin would still be far from

being covered. And that means, according to informed sources in the industry, the retail prices of LPG may have to be raised in the end. That, to many observers, is something that the government has been trying to avoid all along.

The association has been holding talks with senior government officials on the possibility of scrapping subsidy for cooking gas. That, too, would mean an upward revision of the prices of cooking gas.

The association, however, has proposed a way out: Raise the prices of the large-sized cooking gas containers which are consumed mostly by restaurants and foodshops, which could afford a certain degree of price adjustments, while maintaining the prices of small-sized cooking gas containers used by about one million families.

The government at present offers, on the average, an equal amount of subsidy for both categories of cooking gas — two baht per kilogramme.

In case the government refuses to adjust the marketing margin for the gas traders, they would like to be permitted to add transportation costs to their delivery of cooking gas to households. The government isn't likely to bow to that but the association believes that it is trying to propose as many viable options as possible to the authorities concerned.

CSO: 4200/1068

THAILAND

THAI-GERMAN GAS MASKS

Bangkok THE NATION REVIEW in English 27 May 85 p 1

[Text]

THE Royal Thai Army (RTA) will set up a factory to manufacture gas masks for use by Thai soldiers with an initial investment of 25 million baht and technical know-how from a West German company which supplies gas masks to the army of that European country, informed sources told *The Nation* yesterday.

The sources said that Supreme Commander and Army Commander-in-Chief Gen Arthit Kamlang-ek had approved the plan and lent his support for an early launching of the project.

The plant will be the first ever of its kind here. Right now, Thai troops use gas masks imported from the United States but the imported masks designed for western soldiers are not suitable for Thai troops, according to the army sources.

The Army Scientific Department is now working out details of the construction plan. It has been

instructed to launch the project as soon as possible, the sources said.

The sources said that the plant was needed because gas masks are important military equipment and the demand for more, to supply Thai security troops along the Thai-Kampuchean frontier is growing, they added.

The gas masks to be produced by the army-run plant could also be supplied to other service units other than the army. The sources cited as an example police fire-fighters who also need the equipment for their operations.

Furthermore, the investment for the construction of such a plant is not too high, according to the sources.

After having worked out the details of the plan, the Army Scientific Department will conclude a contract with the West German firm to acquire the patent and know-how for the establishment of the plant, they added.

CS0: 4200/1068

THAILAND

THAI CHINESE FIRMS IN GREASE VENTURE

Bangkok THE NATION REVIEW in English 27 May 85 p 17

[Text]

**CHINA Chemicals Co Ltd**, a major oil-based firm located in Hebei Province south of Peking, will enter a joint venture with **Thai Petroleum & Trading Co Ltd**, distributor of Pennsoil products, to produce grease here for domestic market and exports.

Thai Petroleum & Trading's General Manager Anuchit Warewanicha said at the weekend that the project calls for an investment of 50 million baht for construction of a grease processing plant at the site of the existing Pennsoil factory in Phraapradaeng, Samutprakarn.

The project represents a somewhat rare joint venture between Chinese and Thai firms. In the past, Thai firms have been setting up joint ventures in China's special economic zones.

Anuchit said negotiations with the Chinese firm began early this year. "It has been agreed in principle for us to enter a joint venture," he said. However, China Chemicals is still awaiting final approval from Hebei authorities to go ahead with the project.

The Chinese partners will hold a minority share of 40 per cent with the rest to be held by the Thai firm. The joint venture will be equally financed with an initial registered capital of 50 million baht.

Anuchit disclosed that construction of the new grease processing plant will take six months for completion, and will have a production capacity of 36,000 pounds daily.

Thai Petroleum & Trading has been importing base oil from China for producing Pennsoil lubricants both in the crude and semi-processed form. Pennsoil is a major US-based oil firm whose products have been in the Thai market for a long time.

Anuchit said Thailand has to import 100 per cent of lubricants to fulfill its requirement. "We want to develop technology for domestic production. China wants to expand its operations to other countries, particularly in Thailand so that grease and lubricants can be produced here for the domestic market. Exports to Thailand's neighbouring countries will help cut down transportation costs compared to shipment from China," he said.

Grease and lubricant production plants in Hebei Province can find markets in Burma, Bangladesh, Sri Lanka and Hong Kong.

Anuchit said the new plant will be equipped with technology from China Chemicals in which it will also set the foundation for production of lubricants as the same chemicals are used for grease production.

Pennsoll lubricant sales currently hold the fifth position in the Thai market after Shell, Esso, Caltex and Mobil. At present, the production capacity is 10,000 tons annually. The plant is 100 per cent owned by local investors.

Thailand's demand for lubricants amounts to 200 million litres per month, worth over 4,000 million baht. Grease accounts for 25 per cent of lubricant consumption, or over 1,000 million baht.

The project will not seek promotional privileges from the Board of Investment. Anuchit said the BoI has already suspended the grant of privileges to this industry.

CSO: 4200/1068



THAILAND

INTEGRATED CIRCUIT PRODUCTION

Bangkok THE NATION REVIEW in English 11 May 85 p 17

[Text]

THAILAND'S integrated circuit (IC) industry is expected to expand to about 2,000 million units, an increase of 185.9 per cent, this year.

However, several problems continue to affect this industry including tax anomalies and the slow and difficult procedure in the import of raw materials.

"The government should make a complete study of the current industry situation so that a definite and clear-cut policy can be drawn up for the improvement of this industry, bearing in mind the benefits it brings to the economy as a whole," says a report in the latest issue of Bangkok Bank's Monthly Review.

It says that although this type of industry is relatively new for Thailand, it is providing job opportunities for a large number of people and has already become a major foreign exchange earner for the country.

"Its future is still bright in view of the fact that the export market is still expanding, as technology is further improved. Many companies are requesting permission to expand production with Signetics (Thailand) submitting a highly ambitious plan to the Board of Investment.

Signetics (Thailand) plans to expand its integrated circuit production here as a result of political problems faced by its affiliated company in the Philippines.

Of the six Bol-promoted companies, four have already started production. They are as follows:

- National Semi Conductor (Bangkok) Co Ltd which started operations on October 3, 1973. At present, it has a production capacity of 300 million units of integrated circuits annually. These are sent to the parent company in the USA and elsewhere.

- Data General (Thailand) Co Ltd. In the beginning this company had a production capacity of 19.0 million units in 1979, later increased to about 42 million units a year. It sends integrated circuits to the parent company in Britain.

- Signetics (Thailand) Co Ltd. This company started operations in 1980. It is capable of producing about 200 million units annually and has asked permission to expand its capacity by another 1,100 million units per year. The integrated circuits it produces are sent to the parent company in the USA and elsewhere.

- Honeywell Synertek (Thailand) started operations in July 1980. The production capacity is 60 million units per year. In 1984, it asked permission to double production capacity, but this expansion plan has not yet been put into operation. Two other promoted companies which have not yet started operations are:—

## Exports and Imports of Integrated Circuits

Volume : Million units

Value : Million Baht

Year	Exports		Imports	
	Volume	Value	Volume	Value
1980	618.8	6,156	20.28	38.75
1981	592.5	6,146	21.4	55.8
1982	446.2	5,912	20.2	132.7
1983	454.6	5,819	13.6	101.3
1984	747.8	7,352	22.6	75.0

Source: Business Economics Department.

Hanasemi Conductor Co Ltd which will have a production capacity of 60 million units per year. It was given approval by the Bol on October 16, 1984.

• Ngan Tawee Electronic Co Ltd was granted privileges by the Bol on January 15, 1985. It possesses a capacity of producing 150 million units per year.

This industry at present provides employment to not less than 6,000 workers. In the past 4-5 years it has been reducing its workforce, due mainly to the fact that the parent companies abroad have been experiencing marketing difficulties as a result of world economic conditions. According to the Bank of Thailand, in 1982 this industry employed 6,935 workers, decreases of 11.96 and 11.92 per cent from 1981 and 1980 respectively. In 1984, the number of workers employed in this industry were 6,198, a decrease of 5.6 per cent as compared to 1983.

However, even though the quantity of labour employed in this industry has been decreasing their wages are higher than in other industries and have been on the uptrend, being 68 baht per day in 1980 increasing to 80 baht and 100 baht per day in 1981 and 1982 respectively.

Exports: Integrated circuits are exported to their parent

companies abroad, where they are used in the production of electronic appliances and other sophisticated devices. According to a report of the Business Economics Department exports of integrated circuits in 1982 amounted to 446.2 million units worth 5,912 million baht. In 1983 the amount increased to 454.6 million units but value decreased to 5,819 million baht. In 1984, preliminary statistics show that the export value of integrated circuits amounted to 7,352 million baht.

The Business Economics Department published a report saying that in 1985 combined production capacity of the local integrated circuit industry will take a quantum jump to 2,476 million units — a rise of 185.9 per cent. Actual production is estimated at around 1,000 million pieces in 1985, equivalent to 40.39 per cent of total capacity and representing an increase of 33.33 per cent over 1984. The Department forecasts that exports of integrated circuits will total 900 million pieces worth 10,000 million baht in 1985. In 1986 another two Bol-promoted factories will be completed, one of which will go on stream towards the year's end. It is consequently estimated that in 1986 exports of integrated circuits will amount

to 1,300 million pieces worth 14,000 million baht, up 44.44 per cent and 40.00 per cent over 1985. The forecast is based on a rising trend in demand from traditional buyers, viz, the USA, Singapore, Japan, Hong Kong and South Korea.

Thailand holds an advantage due to low-cost labour which makes locally assembled integrated circuits more competitive in the world market. Major importing countries of Thai integrated circuits include the USA, Singapore, Malaysia, South Korea and Hong Kong.

Imports: The main objective of the parent companies is to produce integrated circuits in Thailand solely for export. Hence the growth of the integrated circuit industry and its exports are expected to continue in the future. But as a result of the export-oriented nature of the local integrated circuit industry, Thailand has to import integrated circuits from the USA, Singapore, Japan and Hong Kong to meet local demand. In 1983 Thailand imported 13.6 million units of integrated circuits worth 101.3 million baht, as compared to 20.2 million units worth 132.7 million baht in 1982. In 1984 (Jan-Nov) imports of integrated circuits were 17.7 million units worth 60.4 million baht.

THAILAND

FOREIGN MINISTRY TO LAUNCH COMPUTER SYSTEM

Bangkok THE NATION REVIEW in English 5 Jun 85 p 19

[Text]

A MOVE is under way to "revolutionize" the secretariat and management at the Foreign Ministry with an ambitious blueprint calling for the set-up of a computerized system for use by senior officials at all level, starting from the top echelon of the Foreign Ministry downwards.

The initial set-up of the computerized system will involve the procurement of two units computers with 12 terminals to be used by senior officials at the level of directors general and above from the US-based Wang Co Ltd. The budget sought for the implementation of the initial period of the project is estimated at about 14 million baht.

The blueprint will be deliberated in a meeting of the ministerial computer board headed by Deputy Permanent Secretary Tej Bunnag tomorrow and if approved, it would be forwarded to Permanent Secretary for Foreign Affairs Asa Sarasin and ultimately to a national computer board for final approval. The project will hopefully be launched within one year, according to informed sources.

In three years, according to the project, all directors at the Foreign Ministry will have their own terminals that will be linked to the two central processing units, one installed at Saranrom Building and the other at the SEATO building on Sri Ayudhya Road. The two central processing units will be linked up together and function as a whole central entity.

In the final stage, every desk officer will have a terminal to man. A source well-informed of the project told *The Nation* that financial factor would not determine the timing for the achievement of the last stage, but rather, it would be the personnel at the ministry who would need time to adjust their habit to the computerized system for their work.

A C-3 official newly recruited into the ministry will be briefed on the techniques to operate a terminal on a 12-hour course, according to the project.

With the computerized system, the secretariat and management work would be synchronized all the paper work would be processed into the machines that would link up all the officials with terminals through telephone lines, messengers would scarcely be needed, and communications between the ministry and its overseas missions would be much more convenient and speedy.

The sources said both classified and unclassified data could be fed into the central processing units and called when needed by related ministerial officers. Access to classified information will be also limited and vary according to ranks and the responsibilities of the officials.

Right now, a few number of IBM personal computers are used at the Thai missions in New York, and Washington, for example. The Thai Embassy in Tokyo has also sought permission to procure such an IBM PC but the request

has been held up pending the launching of the project to computerize the management on a broad base.

The Wang computers to be procured in the initial period is the same system used by the US State Department and its overseas missions. It is compatible to IBM PC and therefore, the introduction of the new system will fit well with the personal computers in services at the Foreign Ministry and some of the overseas missions.

The introduction of the computerized system for executive

work at the ministry is expected to set the precedent for other government units to follow in the farther future, the sources said. The system is possible now because of the rapid pace of computer development which has brought down the prices of computers dramatically. "It's just unimaginable for outsiders to conceive of the introduction of the computerized system at this scale these days — and just imagine the cost that the US State Department had to pay when it introduced the system in those days compared to the cost that we have to pay for the same efficiency," one source said.

CSO: 4200/1072

THAILAND

ALL THAI MICROCOMPUTER

Bangkok BANGKOK POST in English 22 May 85 p 17

[Text]

THE first all-Thai language micro-computer has been successfully developed by a group of Thai lecturers and students of Chiang Mai University's Faculty of Engineering.

This new micro-computer is capable of programme input without using an order or command in English like those Thai-language micro-computers available in the market.

At present, all Thai version models are adapted from English-language versions, with commands and programming still made in English.

The new computer does not require the user to have a knowledge of English.

The group of developers is optimistic that the new machine, if manufactured commercially, would enable the country to substantially save on foreign exchange from a reduced import of micro-computers and would encourage the country's youths to expand their learning capabilities.

CSO: 4200/1070



THAILAND

CABINET ON MINE ORGANIZATION

Bangkok BANGKOK POST in English 22 May 85 pp 15, 17

[Text]

**THE Cabinet yesterday ordered the immediate dissolution of the trouble-plagued Mines Organisation. The decision was in response to a recommendation from Industry Minister Ob Vasuratna, who has jurisdiction over the organisation.**

The Cabinet cited the ailing state enterprise's huge losses as the main reason for the decision, adding that it would become an even heavier burden on the Government if allowed to continue operations.

The dissolution reportedly stunned the organisation, which had not been aware that there was a bid to dissolve it.

Mr Ob, in making the recommendation, told the Cabinet that the ministry had tried, unsuccessfully, to merge the Mines Organisation with another ailing state enterprise, the Offshore Mining Organisation (OMO), in a bid to rescue them.

Before deciding to seek the dissolution, Mr Ob opened two general tenders for private firms to take over the operations of four Mining Organisation mines — Samerng, Ploek, Jana and Huay Yod.

In order to facilitate liquidation procedures, Mr Ob yesterday also proposed a draft bill seeking the termination of an existing bill, which governs the establishment of the organisation. The draft bill will be submitted to the Juridical Council for consideration soon.

Mr Ob told *Business Post* that the ministry had exhausted efforts to save the ailing organisation because it was plagued with problems. He added that the organisation's existing structure made any rescue effort impossible.

Mr Ob also noted that the Government had a definite policy of not competing in areas which were already being exploited by the private sector.

The organisation's 300 employees would receive six months' compensation from the ministry, he

said, adding that current mining concessions would be automatically taken over by the ministry's Department of Mineral Resources.

The Mining Organisation's mining concessions would be awarded to local investors who provided the most benefits and the best conditions, based on the ministry's guidelines, he added.

Mr Ob, however, noted that he did not have any idea of the organisation's exact ore reserves.

The minister said that three options had been proposed some time ago regarding the organisation and one was dissolution.

He stressed that he had been fully in favour of a merger but had to abandon the idea because no agreement could be reached. "I did not want the organisation to become another government burden," he added.

WESTERN SAMOA

ECONOMIC SUCCESS ANALYZED

Wellington THE EVENING POST in English 2 May 85 p 7

[Article by Phillip Melchior]

[Text]

APIA (Western Samoa).  
— Two years ago the tiny, isolated South Pacific nation of Western Samoa was almost bankrupt. Oil companies had threatened to turn off fuel supplies for which they were not being paid.

The New Zealand Government had formally warned its companies against extending credit. And inflation was running at 22 percent.

Today Western Samoa is being feted as the International Monetary Fund's model small island economy. Since late 1982, the Government headed by prime Minister Tofilau Eti has turned his country's agile economy around.

Inflation has been cut more than half, the oil companies and the traders id off.

The local currency, the tala, has been devalued by 50 percent and Samoa's foreign reserves have been built up from just over \$2 million to more than \$14 million — the equivalent of what the country earned last year from its coconut products, cocoa, timber and bananas.

Predictably, the IMF is pleased with Tofilau and his young Finance Minister, Tuilaepa Sailele.

John Karpick, the IMF's resident economy-watcher, has praised the Tofilau

government's handling of the economy and the IMF's annual country review in February said Samoa was an example of what could be achieved by small island economies with correct policies.

## Courage

Tuilaepa told Reuters in an interview his policies were in line with those recommended by the IMF, but were not dictated by them.

"The economic theories can be found in any textbook. All that is needed is the political courage to implement them," he said.

"We were already in a mess. There was a clear indication that something drastic had to be done."

Tuilaepa and Tofilau, who initially held the finance job himself, both told Reuters that the country's 160,000 population had to pay a price for the economic reforms.

Many Samoans still live largely outside the cash economy, growing most of their own food and managing without electricity and its associated consumer durables.

Prices of essentials like fuel oil and sugar have doubled since 1982 through inflation and devaluation.

"The people must offer sacrifices," Tofilau said.

"My people have done that," Tofilau said. "Samoaans gave Tofilau another three-year term in a landslide election win earlier this year. But there are doubts in some quarters about how much longer they will accept the sacrifices."

One of Samoa's top officials told Reuters: "Everybody's saying great things about the shape of the economy, but the man in the street does not feel it yet."

## How long?

"The worrying thing is how long will they be prepared to accept statistics and promises."

Despite being impressed generally, the IMF has warned of the continuing vulnerability of an economy still heavily reliant on foreign aid and the money sent home by Samoans working in New Zealand and elsewhere.

Tofilau accepts the IMF's caution. Western Samoa is now trying to complete airport extensions aimed at enabling it to export fresh produce and develop its dormant tourist industry, he said.

It also wants a greater cushion of reserves to help it cope with any drop in commodity prices.

"We are still struggling," he said. "But we are trying to ensure we have the right infrastructure in place to cope with the future."

His finance minister cites other reasons for trying to hold on to what Samoa has gained.

"Politically it has been a very tough period we had to go through," he said. "I would not want to repeat the experience."

## MILITARY AFFAIRS AND PUBLIC SECURITY

### ARMY PAPER REPORTS VI XUYEN DISTRICT CONFERENCE

BK141259 Hanoi QUAN DOI NHAN DAN in Vietnamese 15 May 85 p 1

[Text] The emulation council of the group of northern military regions and special border zone, including the 1st and 2d military regions and the Quan Ninh special zone, recently held a conference in Vi Xuyen District, Ha Tuyen Province, to report the emulation results, exchange experiences among the conferees, unify the guidelines, scope and measures of leadership, organize the emulation movement, and sign emulation pledges for 1985.

The conferees heard primary units--the 18th and 19th (1st military region), the 9th and 14th (2 military region) and the 20th (special Quang Ninh zone)--report their experiences in organizing combat and combat standby forces, and the amendment of emulation targets for 1985 by the Defense Ministry's Emulation Council. Then the representative of each military region and special zone reported the results of implementing emulation pledges and objectives, and discussed and exchanged with one another their experiences in leading, organizing and conducting the emulation drive in each unit.

In 1984, and especially during the 1st quarter of 1985, the tasks of the three military regions and special zone were very heavy, urgent, and complicated. The Chinese expansionists and hegemonists have strived to sabotage us in many fields and have intensified their land-grabbing war actions along the border. The armed forces in the military regions and special zone together with the people of all nationalities in the border area have maintained high combat readiness, dealt timely counterblows to the enemy, and repelled several land-grabbing attacks by the enemy to protect the people, firmly hold on to the battle position, and build increasingly stronger defense lines. Typical were the units operating in Vi Xuyen (2 military region), Trang Dinh (1st military region), and Hai Ninh (special Quang Ninh zone). Through the emulation movement and ordeals, the cadres and party members have developed their sense of responsibility, and the building of healthy, strong, and firm basic party organizations has been emphasized, thus fulfilling and overfulfilling the prescribed criteria. The tasks of enforcing discipline, maintaining and safeguarding weapons and technical equipment, and organizing troop material, moral, and cultural lives have all progressed.

The conferees unanimously agreed on the guidelines, scope, objectives, and steps to accelerate the 1985 emulation movement--steps aimed mainly at building

firm and strong combat forces, battle positions, and defense lines, and achieving high combat readiness and good combat effectiveness. On the basis of local economic plans, each unit must help build and organize the economy by struggling to fulfill the prescribed plans, contributing to building prosperous and strong rear areas. The Defense Ministry's 10-point program for army-people relationship must be implemented well. Effort should be concentrated on really improving the combat will, political responsibility, ability, and revolutionary quality of cadres and party members, on building strong and healthy basic party organizations, and on strengthening the solidarity among party members and the masses, between superiors and subordinates, and cadres and combatants in order to ensure good unity and stern discipline. We should make progress in the maintenance and use of weapons, technical equipment, and other material bases; we should also progress in practicing thrift, and in organizing the material, moral, and cultural lives of troops by ensuring that each combatant can benefit from all the standardized policies. We should implement the party policy toward nationalities, strengthen the army-people solidarity and unity, and implement successfully the two strategic tasks in the assigned area.

CSO: 4209/459



INTERNATIONAL RELATIONS, TRADE AND AID

JAPAN REPORTEDLY TO RESUME HUMANITARIAN AID TO VIETNAM

Bangkok THE NATION REVIEW in English 28 May 85 p 5

[Text]

JAPAN has decided to resume humanitarian aid to Vietnam in a bid to strengthen dialogue between the two countries, a Japanese newspaper reported in Tokyo yesterday.

The newspaper Tokyo Shimbun said the decision will be conveyed to Vietnam when a high-ranking foreign ministry official visits Hanoi late next month.

It said the Japanese aid pledge of 30 million yen (about 3.3 million baht) is intended for purchases of pharmaceuticals and medical equipment for a hospital in Ho Chi Minh City.

An official of the Japanese Embassy in Bangkok told *The Nation* yesterday that the embassy had received no information concerning the report but described it as being "not impossible."

He said the hospital was built by the Japanese Government before the fall of Saigon in 1975 and Hanoi had been making requests for supplies of medicines and medical equipment for the hospital. He said the hospital is the largest in Vietnam.

The paper added that the Japanese decision to resume aid to Vietnam will not mean a change in Tokyo's support for the anti-Vietnamese Khmer coalition government.

The official of the Japanese Embassy in Bangkok stressed that the humanitarian aid for Vietnam does not contradict the Japanese policy toward the Kampuchean question.

He said Japan is still upholding the policy to freeze all economic and development aid to Vietnam until it withdraws its troops from Kampuchea.

CSO: 4200/1035

INTERNATIONAL RELATIONS, TRADE AND AID

SRV MESSAGE OF THANKS TO HONECKER, STOPH

East Berlin NEUES DEUTSCHLAND in German 15/16 Jun 85 p 2

[Text] Le Duan, general secretary of the Central Committee of the Communist Party of Vietnam, Truong Chinh, chairman of the SRV State Council, and Pham Van Dong, chairman of the SRV Council of Ministers, sent the following message of thanks to Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR State Council, and Willi Stoph, chairman of the GDR Council of Ministers:

We would like to express our sincere thanks to you, and through you to the SED Central Committee, the State Council and the Council of Ministers of the fraternal GDR for your cordial congratulations on the occasion of the 10th anniversary of the full victory in our resistance fight against U.S. aggression and for saving our nation.

With great pleasure we note that the solidarity, the cordial friendship and the fraternal cooperation between our two parties and countries on the basis of the principles of Marxism-Leninism and socialist internationalism are being continuously consolidated and strengthened.

We wish the fraternal people of the GDR, led by the SED with the esteemed Comrade Erich Honecker as leader, many new and even greater successes in the future in the further shaping of the developed socialist society in the GDR as a contribution to the strengthening of the socialist community and the forces that are struggling for peace, national independence, democracy and socialism.

May the friendship and cooperation between the parties, governments and peoples of our two countries flourish even more every day.

CSO: 4620/38

**INTERNATIONAL RELATIONS, TRADE AND AID**

**TO HUU'S SPEECH AT SOVIET AMBASSADOR'S BANQUET**

**BK151323 Hanoi NHAN DAN in Vietnamese 9 May 85 pp 1, 4**

[Speech by To Huu, vice chairman of the Council of Ministers at 8 May Hanoi banquet hosted by Soviet Ambassador Chaplin to mark the 40th anniversary of victory over fascism]

[Text] Esteemed Comrade Truong Chinh,

Dear Ambassador B. N. Chaplin and Madame,

Dear comrades and distinguished guests of the diplomatic corps,

Dear Soviet and Vietnamese comrades:

Today, amid the jubilant atmosphere marking major anniversaries, we are gathering here to solemnly commemorate the 40th anniversary of the Soviet people's historic victory in the great war to defend their country during the 1941-45 period. This victory has contributed to foiling fascism and saving mankind's civilization from annihilation. On behalf of the CPV Central Committee, the SRV Councils of State and Ministers, and the Vietnamese people and armed forces, I warmly welcome the Soviet ambassador and Soviet comrades who are present here. Through you comrades, we convey to the fraternal Soviet party, government, people, and armed forces our finest and warmest greetings.

Dear comrades and friends, after the success of the Great Socialist October Revolution in the Soviet Union, the victory over fascism is the most historical significant event in the 20th century. The great and historic significance of this victory has been increasingly striking throughout the world revolutionary development process and the struggle for destiny of nations.

This victory is a turning point for the world situation. It has firmly protected achievements of the October Revolution and the first socialist state in the world, weakened an important part of imperialism, and changed the balance of world powers. It has helped creating favorable conditions for establishing a system of socialist nations and strengthening the new revolutionary upsurge to oppose imperialism and colonialism.

Giving unprecedented assistance to various nations and scoring brilliant achievements in the socialist construction, the Soviet Union has become a powerful socialist superpower, a firm bulwark, and a reliable bastion for peace-loving and revolutionary forces in the world.

Commemorating the 40th anniversary of victory over fascism amid the world complex situation today, we are realizing the pressing problems in the struggle to oppose the arms race, stop the danger of a nuclear war, and maintain world peace. In this struggle, the Soviet Union has come out as the great and distinguished nation for peace. Its peace initiatives, especially proposals of goodwill made recently by CPSU General Secretary M. S. Gorbachev have manifested the Soviet flexible and principled foreign policy. This policy has won the hearts and minds of millions in the world. The Vietnamese party, government, and people have totally supported these initiatives and proposals.

The Vietnamese people have always realized that without the October Revolution and the Soviet victory over German fascism and Japanese militarism, there would have been no August Revolution and no new Vietnam. With that significance, the August Revolution and the founding of the Democratic Republic of Vietnam, the first worker-peasant state in Southeast Asia, constitute direct fruits of the victory over fascism and, at the same time, an important factor contributing to promoting that great victory.

Over the past 40 years and under the CPV leadership, the Vietnamese people have bravely struggled against the most cruel colonialist, imperialist, and reactionary forces, and have scored a very glorious final victory, thereby completely defeating the U.S. imperialist aggressors--the victory of which we solemnly celebrated its 10th anniversary a few days ago.

With this great victory, the Vietnamese people have foiled the imperialist reactionary scheme and strategy to subdue a member of the socialist community and suppress the national liberation and revolutionary movements after World War II. Today the SRV has become a firm outpost for socialism in Southeast Asia and a positive factor for the cause of peace, stability, and cooperation in the region. The Vietnamese people are always grateful to the Soviet party, government, and people for their great, valuable, and effective assistance given to them in their former war of resistance for national salvation as well as their current national construction and defense.

Building on the firm basis of Marxism-Leninism and socialist internationalism, the unshakable friendship between the Soviet and Vietnamese peoples has finely developed and has become a very important factor for victory of the Vietnamese revolution. The SRV-USSR Treaty of Friendship and Cooperation signed in 1978 is a new development of our two countries' militant solidarity and comprehensive cooperation. Various high-ranking official meetings have been held regularly in the atmosphere of fraternal friendship between leading comrades of our two parties and states. These meetings are new and great vitality accelerating cooperation between our two countries.

Dear comrades and friends, commemorating this glorious anniversary today, may I propose a toast for:

--the 40th anniversary of the victory over German fascism and Japanese militarism;

--the Soviet people under the CPSU leadership to score many glorious achievements to greet the 27th CPSU Congress;

--the militant solidarity, the great friendship, and the comprehensive cooperation between the Vietnamese and Soviet peoples;

--the solidarity and singlemindedness of countries in the socialist community;

--a long and lasting world peace;

--a good health of Comrade Gorbachev and other comrade leaders of the Soviet party and state;

--a good health of Ambassador B. N. Chaplin and madame;

--a good health of comrades and distinguished guests of the diplomatic corps; and for

--a good health of all comrades present here.

CSO: 4209/459

INTERNATIONAL RELATIONS, TRADE AND AID

VO DONG GIANG RECEIVES PLO CHARGE D'AFFAIRES

OW141640 Hanoi VNA in English 1549 GMT 14 Jun 85

[Text] Hanoi, 14 Jun (VNA)--Minister Vo Dong Giang received here today Mr Sa'id Khalil al-Masri, PLO charge d'affaires in Hanoi.

After having been briefed on the present situation in the Middle East and the current conflict between the Lebanese Amal Muslim Militia and the Palestinian resistance force at three refugee camps in West Beirut, Minister Vo Dong Giang expressed deep concerns over that grave situation and the regret for big consequences caused by the conflict.

The Vietnamese minister exposed the schemes and manoeuvres of imperialism and the Israeli Zionist aggressors who are seeking ways and means to cause instability, sabotage the Lebanese unity, weaken and eventually eliminate the Lebanese patriotic movement and the Palestinian revolution. He held that the most urgent thing now is to put an immediate end to the bloody conflict among the Arabs in Beirut in order to spearhead their struggle at the schemes of the U.S. and the Israeli expansionists in the common interests of the peoples in Arab countries and for security and stability in the region.

Minister Vo Dong Giang also took the occasion to reaffirm the Vietnamese people's full support for the struggle of the Arab peoples against imperialism and Zionism as well as for the just cause of the Palestinian people under the leadership of the PLO for their sacred national rights, including the rights to self-determination and to establish an independent Palestinian state on their homeland.

CSO: 4200/1088



INTERNATIONAL RELATIONS, TRADE AND AID

FRIENDSHIP ORDER CONFERRED ON ITALIAN SUPPORTERS

OW151822 Hanoi VNA in English 1550 GMT 15 Jun 85

[Text] Hanoi, 15 Jun (VNA)--The Vietnamese Council of State has conferred the friendship order on nine (9) outstanding activists in the Italian People's Movement for Solidarity with the Vietnamese People.

The conferment was made on the occasion of the 10th anniversary of the liberation of South Vietnam.

The recipients include E. Agnoletti, vice president of the Italian Senate and president of the Italian Association for Solidarity with Vietnam; Pastor T. Vinay and Senator R. la Valle, Presidium member of the association; Mrs (?Vera) Roccara, former secretary of the association; A. Panieri, L. Sosa, and Mrs S. V. Veccala, respectively secretaries of the Romagna, Liguria and Lombardia chapters of the association.

R. Lombardi and F. Calamandore, respectively ex-president and ex-Presidium member of the Italy-Vietnam Committee, are posthumously awarded.

At the conferment ceremony held at the Vietnamese Embassy in Rome on 7 June, Vietnamese Ambassador Mrs Phan Thi Minh paid tribute to the Italian people's movement in support of the Vietnamese people in their past fight for national salvation and in their national construction and defence at present. She wished for further promotion of the friendship between the two peoples.

Speaking on the occasion, Senator la Valle, on behalf of the recipients, said:

"By their valient struggle, the Vietnamese people have reinforced the world people's confidence that 'nothing is more precious than independence and freedom.' This confidence has gained in strength throughout the world which prevents the United States from acting at will as it did in the past. It is a firm foundation for the movement for national liberation to increase its faith in the final victory."

CSO: 4200/1088

INTERNATIONAL RELATIONS, TRADE AND AID

UN ENVOY SPEAKS IN SUPPORT OF NAMIBIAN PEOPLE

OW161612 Hanoi VNA in English 1527 GMT 16 Jun 85

[Text] Hanoi, 16 Jun (VNA)--Vietnamese Ambassador Le Kim Chung, acting head of the Vietnam permanent mission at the United States, has voiced the Vietnamese people's strong support to the Namibian people's struggle against the South African administration, under the leadership of the South West African People's Organization (SWAPO).

The Vietnamese delegate strongly condemned the Pretoria regime for ignoring the UN resolutions on Namibia, continuing its illegal occupation of Namibian territory and using it as a springboard to attack Angola and other neighbouring countries. These acts of the South African administration, he said, gravely threatened world and regional peace and security.

Ambassador Le Kim Chung said the United States has to bear a large share of responsibility in Pretoria's arrogance and stubbornness. He urged the United Nations to pass the more effective measures including compulsory sanctions against South Africa in the spirit of Article 7 of the UN Charter in order to ensure the full, immediate and unconditional implementation of Resolution 435 of the UN.

CSO: 4200/1088

INTERNATIONAL RELATIONS, TRADE AND AID

FRENCH YOUTH PROJECT RAISES FUNDS FOR HOSPITAL

OW141743 Hanoi VNA in English 1544 GMT 14 Jun 85

[Text] Hanoi, 14 Jun (VNA)--A fund-raising campaign has been conducted by young people in Val-de-Marne Province (Paris region), chiefly by cadres and employees of the Paul Brousse Hospital, with the backing of the provincial council to buy medicines and medical equipment for Saint Paul Hospital in Hanoi.

The program codenamed "Hanoi" plans to raise 500,000 francs, in three years ending 1987. It lies in the framework of a general project being carried out by the French Government and the French Popular Relief Association as aid to Hanoi's Saint Paul Hospital.

Under this program, many doctors and technicians of the Paul Brousse Hospital will be sent to Vietnam to assist Saint Paul Hospital.

To raise funds for this program, medical workers in the provincial capital of Ville-Juif have issued and sold cards in support of Vietnam and many artistic shows and entertainments have been arranged at various places in the province.

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## INTERNATIONAL RELATIONS, TRADE AND AID

### VNA ON EFFORTS WELCOMING MOSCOW YOUTH FESTIVAL

OW141630 Hanoi VNA in English 1528 GMT 14 Jun 85

[Text] Hanoi, 14 Jun (VNA)--The Vietnamese youth is stepping up their emulation movement for new achievements to welcome the forthcoming 12th World Youth and Students' Festival in Moscow.

Propaganda, art and cultural activities have been widely carried out at various establishments of the Ho Chi Minh Communist Youth Union under the theme: "Solidarity against imperialism, for peace and friendship, support to the Nicaraguan youth and people's struggle."

Hanoi young people have realised 5,000 projects, products and research subjects and technical innovations to welcome the festival. Typical was the restoration of the power hammer by union member Nguyen The Hung, a worker of the building engineering enterprise, which helped save more than one million dong, and the modification of the design of the new railway station at Viet Hung by the youth at the Institute of Communications Technique, saving five million dong for the state.

In the Hongai Coal Company in Quang Ninh Province, young workers are sponsoring 215 projects named "Festival 12th" including the manufacture of 10-ton [as received] excavator bucket by the youth of the Cam Pha Center engineering factory.

In Ha Nam Ninh Province, the movement is drawing 140 production teams composed of young workers.

In many tests of skills, 10 scientific and technical subjects have been recognized and 150 initiatives on technical improvement have been applied to production, saving millions of dong for the state.

Young people in Nghe Tinh Province are assuming 450 projects, including the digging and embarking of 820,000 cubic metres of earth and stone, the repair of nearly 500 km of rural roads and of more than 1,000 km of irrigation ditches and canals the works also includes the installation of electric poles on a 220kv transmission line north of Vinh town and on the Nam Dan-Hung Dong transmission line to take electricity to the home village of President Ho Chi Minh.

In Lam Dong Province on the central highlands the rural youth are engaged in 104 projects in service of intensive farming and multi-cropping.

More than 500 young people in Dong Duong and Duc Trong Districts have taken upon themselves the charge of 16 hectares of experimental sowing fields and 35 ha of high-yield fields boosting productivity by from 30 to 50 percent compared with surrounding fields.

Nearly 300 representatives of the youth in Hanoi, Bac Thai and Cao Bang recently met in the provincial capital of Cao Bang to sum up the movement of catering for the frontline. They adopted a program of action in the movement called "Following Uncle Ho's Steps" launched on the occasion of the 95th birthday of President Ho Chi Minh and the World Youth Festival.

A song and dance party was held during the meeting followed by the release of balloons acclaiming the Moscow festival and proclaiming the Vietnamese youth's determination to defend peace and to support the Nicaraguan and other peoples threatened by U.S. imperialism.

CSO: 4200/1088

INTERNATIONAL RELATIONS, TRADE AND AID

BRIEFS

**FRIENDSHIP GROUP SUPPORTS LAO STATEMENT--**Hanoi, 15 Jun (VNA)--The Vietnam-Laos Friendship Association (VLFA) has voiced strong support for the Lao Foreign Ministry's 6 June statement on the Lao-Thai relation. In its recent message to the Laos-Vietnam Friendship Association, the VLFA said: "The Vietnam-Laos Friendship Association, together with the Vietnamese people fully supports the stance full of good will of the Lao People's Democratic Republic as mentioned in the Lao Foreign Ministry's 6 June statement, and the Vietnamese Foreign Ministry's 8 June statement. It demands that the Thai authorities respond to Laos' proposal to settle through negotiations all issues concerning the relations between the two countries in order to improve and develop the friendship between Laos and Thailand and contribute to making Southeast Asia a region of peace, stability, friendship and cooperation." [Text] [Hanoi VNA in English 1501 GMT 15 Jun 85 OW]

**APARTHEID MESSAGE SENT TO UN--**Chairman of the Council of Ministers Pham Van Dong on Saturday sends a message to UN Secretary General Javier Perez de Cuellar and to Chairman of the UN Ad Hoc Committee Against Apartheid Mr (Joseph Garba) on the day of international solidarity with the South African people. The message condemned the apartheid regime and the aggressive policy of the South African administration and demanded that they stop at once all acts of terror and repression against the black Africans who are struggling for the national freedom and equality and release all those who were illegally captured and detained. The message reaffirmed Vietnam's resolute support for the just struggle of the South African people under the leadership of the African National Congress for their fundamental rights. [Text] [Hanoi International Service in English 1000 GMT 15 Jun 85 BK]

**ICELAND'S NATIONAL DAY RECEIVES SALUTE--**Hanoi, 16 Jun (VNA)--President of the State Council Truong Chinh has sent a message of greetings to President Mrs Vigdis Finnbogadottir on the occasion of the national day of the Republic of Iceland (17 June). [Text] [Hanoi VNA in English 1514 GMT 16 Jun 85 OW]

**COUNCIL DECORATES SOVIET EXPERTS--**Hanoi, 16 Jun (VNA)--The Vietnamese Council of Ministers has conferred the friendship medal on 12 Soviet specialists working at the joint Vietnam USSR petroleum venture. The award was made in acknowledgment of their outstanding contributions to oil exploitation in Vietnam's southern provinces and to laying the foundation for the young oil



industry in Vietnam. On behalf of the recipients, M. Mveyev, director of the geology department of the joint Vietnam-USSR petroleum venture, expressed sincere thanks to the Vietnamese party and state and pledged to contribute further to the consolidation and development of the Vietnamese-Soviet solidarity and friendship. [Text] [Hanoi VNA in English 1516 GMT 16 Jun 85 OW]

GDR'S FISCHER ON INDOCHINA SUPPORT--Hanoi, 16 Jun (VNA)--The foreign policy pursued by the Indochinese countries in the interests of peace, security and good neighbourhood in Southeast Asia is a constructive factor in the struggle for peace the world over, said GDR Foreign Minister Oskar Fischer. He was speaking at a reception in Berlin on 13 June for Kampuchean Vice Foreign Minister Kong Korm. He reiterated the GDR people's solidarity with the Indochinese peoples. The two sides expressed satisfaction at the fine development of the friendship, cooperation and solidarity between the GDR and Kampuchea. While in the GDR, Kong Korm held talks with H. Krolikowski, minister of state and first vice-foreign minister of the GDR. The two sides signed a protocol on cooperation between the two ministries for the 1986-90 period. [Text] [Hanoi VNA in English 0724 GMT 16 Jun 85 OW]

CSO: 4200/1088

## AGRICULTURE

### BRIEFS

**HAU GIANG RICE PLANTING**--Hau Giang Province has to date planted 107,098 hectares of summer-fall rice, fulfilling 89.25 percent of the area plan and increasing by 23,298 hectares over the corresponding period last year. Vi Thanh, Long My, and Thanh Tri have overfulfilled their area plans by 9.72-54 percent. Right at the beginning of the crop season, various districts mobilized tractors and draft animals to prepare the soil and open 20,000 hectares of new land for the summer-fall rice crop. The province regulated the distribution of rice seeds, sending them to localities lacking them. All districts set up committees for guidance of summer-fall and 10th-month rice production and worked in close coordination with various sectors of the province such as agriculture, water conservancy, supply, and communications to help the grass-roots units satisfactorily cultivate the summer-fall crop. [Text] [Hanoi Domestic Service in Vietnamese 0500 GMT 14 Jun 85 BK]

**DAC LAC RICE HARVEST**--Tribesmen in Dac Lac Province have harvested 12,340 hectares of winter-spring rice, achieving an acreage increase of nearly 2,000 hectares over the previous winter-spring crop and a yield of 4.2 metric tons per hectare, almost 20 kg more than the previous crop. For the 1,800 hectares of high-yield rice, the yield has reached 5.5-6 metric tons of paddy per hectares, an increase of 300 kg over the previous yield. The two key rice producing districts of Krong Ana and Krong Pach have obtained 5.3-5.5 metric tons of paddy per hectares, 200-400 kg more than the previous yield. [Excerpt] [Hanoi Domestic Service in Vietnamese 2300 GMT 15 Jun 85 BK]

**HO CHI MINH CITY**--In May, the rural districts of Ho Chi Minh City motivated 2,753 additional peasant households to turn over 1,078 hectares of farmland for collective production work and set up 14 additional production collectives. At the same time, the districts also upgraded 53 production collectives into 14 agricultural cooperatives. As of late May, Ho Chi Minh City had set up a total of 750 production collectives and 141 cooperatives, including 80 percent of peasant families and 84 percent of cultivated land in its suburban areas. [Summary] [Hanoi Domestic Service in Vietnamese 2300 GMT 14 Jun 85 BK]

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